

FINANCIAL TEMFS



Designs on profit The off-the-shelf world of Ikea



Hot topic Gobal warming takes off in Berlin



Analysis Is the savings and loan crisis over?



Leader page Under attack: Newt Gingrich's revolution

China warned to clamp down on foreign borrowing

China should heed the lessons of the Mexican financial crisis and further restrain foreign borrowing, which reached \$100bn at the end of last year, a senior Chinese economist has warned. Zhou Shijian, deputy president of the International Trade Research Institute, said that China's debt service ratio was deteriorating and he urged the govern-ment to clamp down on enterprises and institutions raising capital abroad. Page 18

Atlanta is second busiest airport: Atlanta has overtaken Dallas/Fort Worth and London's Heathrow to become the world's second busiest airport after Chicago's O'Hare, Page 2

Global warming dangers detailed: An increase in natural disasters caused by global warming could bankrupt some insurance companies, Reinsurance Association of America president, Frank Nutter, warned at a conference organised by Greenpeace. Page 18; Guide to global warming, Page 11; Editorial comment, Page 17

UN evacuates Kurds from Iraqi border



The UN evacuated more than 1,000 Turkish Kurd refugees, mostly women and children, from the lragi border town of Zakho as Turkey pressed its anti-rebel drive in northern Iraq. Turkish president Suleyman Demirel (left) said his country's occupation of northern Iraq could last up to a year. Turkish foreign minister named, Page 3

Canada to renew 'fish war': Canada was preparing to renew its "fish war" against the EU by acting against Spanish trawlers in a contested area of the north-west Atlantic. Page 6

Jospin attacks Chirac promises: French Socialist presidential candidate Lionel Jospin launched an attack on Jacques Chirac, the Gaullist favourite for the April/May election, and poured scorn on his attempts to draw left-wing votes through promises of social reform. Page 2

Healthy P&O profit predicted: Peninsular & Oriental Steam Navigation Company is expected to report an impressive profit increase for 1994. Analysts predict pre-tax profits of £220m-£355m (\$513m-\$570m). Page 19

China challenged on HK court: Hong Kong governor Chris Patten challenged China to explain why it objects to a plan to establish the colony's highest court before the 1997 handover. Page 4

Cuba signs nuclear weapons treaty: Cuba, where the siting of Soviet missiles in 1962 brought the US and the former Soviet Union to the brink of nuclear war, signed a treaty banning nuclear weapons in Latin America and the Caribbean. Page 6

Proposed Gazprom sale postponed: The planned sale of shares in Russian gas giant, Gazprom, to western institutional investors has been put on hold until market conditions improve. Advisers Kleinwort Benson will target international oil, gas and chemical companies. Page 19

Thailand warms on lending: The Bank of Thailand has sent a strong warning to the country's domestic and foreign banks to reign in lending to within the target loan growth rate of 24 per cent for

FAO criticises trade deal: Low-income developing countries which import foodstuffs are likely to be significantly worse off as a result of the Uruguay Round trade deal according to the UNS' Food and Agriculture Organisation. Page 5

White House seeks Americans' release: The White House said it would work outside the UN for the release of two American defence workers sentenced by Iraq to eight years in prison for illegally entering the country after they strayed from Kuwait. Iraq spurns oil plan, Page 3

Schumacher wins opening Grand Prix: World champion Michael Schumacher, driving for Benetton, won the opening Brazilian Grand Prix in Sao Paulo after Damon Hill spun off with gearbox problems 31 laps into the 71-lap race, Britain's David Coulthard, finished second in his Williams.

European monetary system: Tensions within the EMS eased last week as investors sold D-Marks after the currency's recent sharp gains. The spread between strongest and weakest currencies in the grid narrowed by nearly two percentage points and could narrow further this week if the Bundesbank decides to trim interest rates. Currencies, Page 29

decides to t	um interest	raucs. Cu	H I GHOR	~4 - 45-	
EMS: G	rid		Mar	En 24	995
Golider D-Mark 8. Franc Schilling Encudo					:
D. Krone F. Franc Irish Punt Possta		4%	8%	8%	10%
	9 479				

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Germany to allow strong competition for telecoms

By Michael Lindemann in Bonn and Alan Cane in London

The German telecommunications market, the most lucrative in Europe, will be open to all qualified competitors after Deutsche Telekom's monopoly is dismantled in early 1998.

Guidelines to be unveiled today by the German telecoms authorities will indicate that licences to operate voice telephony in competition with Deutsche Telekom will be available to any companies satisfying specific criteria. These will include financial standing, telecommunications experience and ability to guarantee the integrity of the network.

The decision will be welcomed by many of the world's larger telecoms operators, including AT&T of the US and British Telecommunications and Cable & Wireless of the UK, which have been forming alliances with German companies to strengthen their position in the market prior to liberalisation.

There has been nervous speculation over the past few months over the number of licences likely to be awarded. Mr Wolfgang Bötsch, the German post and telecommunications minister, has decided against awarding only a set number of licences because of fears that this would violate a constitutional right of freedom of trade.

We are not going to say that everybody who wants to can, but rather that everybody who wants to may, as long as they fulfil the criteria," an official said.

be forced to open their telecoms markets in infrastructure and services to competition after January I, 1998. Only the UK and Sweden at present operate a fully liberalised market in Europe. Deutsche Telekom is set to be

privatised next year when some

26.2bn worth of shares will be put

on the market. BT said yesterday that it welcomed Mr Bötsch's decision. It formed an alliance earlier this year with Viag, a diversified energy company which owns a 4,000km fibre optic network.

Other groups likely to feel the benefit are Thyssen, the steelmaker, which has formed a joint venture with Bell South of the US, Veba, an energy and chemicals group which has an alliance with Cable & Wireless and Daimler Benz, which is linked with Northern Telecom of Canada.

AT&T, the largest US carrier, is in talks with RWE, the large German utility, which has indepen-dently linked up with six smaller utilities to create a network to compete with Deutsche Telekom. Mr Bötsch is expected to give

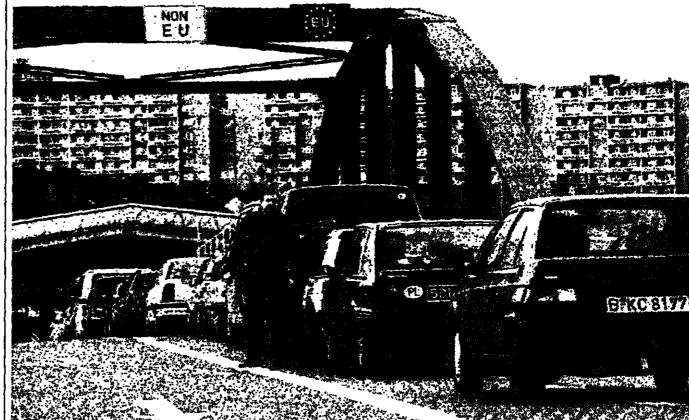
further details of how he envisages the structure of the German telecommunications market after 1998. The market is the world's third largest and was valued at some DM60bn (\$43bn) in 1992 in terms of domestic sales. His prescription is expected to be broadly in line with the sec-

ond part of the so-called green book on the future of European telecommunications which was published by the European Commission in January. German companies likely to offer telecommunications ser-

vices to parts of the market mainly corporate clients - would have to contribute to a fund that will assure the provision of nationwide telephone services, for example.

worked into a first draft of a new law to regulate German telecommunications after 1998, expected to be ready in June. Licences could be given out early in 1997.

Telecoms changes put the



Europe crosses a fresh border to a passport-free 'Schengenland'

A station on the Italian-French frontier in the early hours of yesterday morning, the "ring of steel" external border round the European Union's new passport-free zone looked decidedly pliable.

On the day that seven EU member states - not including Italy - dropped internal border controls and passport checks. external borders were supposed to be reinforced to compensate.

thorough, old-fashioned frontier voung soldi on to the train to shine flashlights under the seats; no one even asked for pass-

Only a French policeman stuck his head round the carriage door before the train's slow roll into squeeze on Bötsch, Page 2 | so-called "Schengenland," named

t Ventimiglia railway Emma Tucker finds that the 'ring of steel' surrounding the European Union looks surprisingly pliable

> after the Luxembourg town of Schengen where the borderbusting deal was sealed. It is a border-free swathe covering Portugal, Spain, France, Germany and the Benefux countries, with Austria soon to

"Schengen does not exist yet," However, the cool morning in said the policeman. "It only Ventimiglia saw nothing like a applies at airports and ports." he went on, mistakenly. "On will conti

> His cursory check was followed up by an inquiry from a young Italian policeman. "Have they checked passports in this carriage yet?" he asked, sidling up to a passenger. "No," was the answer, at which he wandered back along the platform to rejoin his colleagues for a cig-

Italy hopes to participate in the

passport-free zone next year, when it has sorted out technical

and legal problems, but until

then it remains outside

Within Schengenland itself all appeared to be going according to olan. Not a passport was in sight as passengers checked in at Nice airport in France for the midday flight to Brussels.

Schengenland.

However, with apologies from have to go through passport control before boarding the aircraft. Arrangements for separating

off Schengen from non-Schengen passengers will not be in place for another three months at the On arrival at the newly

expanded Zaventem airport in Brussels, where once blueuniformed Belgians stoically

opened passport after passport, a large board simply welcomed the Nice passengers to "Schengen". At last, the free movement of

Or almost. Passengers flying in from the UK faced the old treatment, barred from the European dream by a government that remains wary of the external border's effectiveness. Passports may have vanished

for the bulk of European travel, but some things never change. First there is the money. There is now no formal border between France and Spain - but try asking a French taxi-driver to tas. Then there is the language. While taxi-drivers are better linguists than most, few are conversant in German or Spanish.

Whatever the currency, you need plenty of it to combine free movement with swift travel in Europe. A one-way air ticket to Genoa in Italy from Brussels, plus a rail ticket to Nice and a flight back to Brussels came to a

Benetton and Bonomi poised to take over Lotus

By Kevin Done and Richard Gourlay in London

The Bonomi and Benetton families, two of Italy's wealthiest industrial dynasties, are poised to acquire Group Lotus, the UK sports car manufacturer and automotive engineering cousultancy, from Bugatti International, the troubled Italian

supercar maker. Mr Andrea Bonomi, managing director of 21 Invest, a UK joint venture company formed last year by the investment houses of the Benetton and Bonomi families, said agreement had been signed for the deal, in which Lotus would be bought for £38m (\$59m). The takeover was expected to be finalised this week.

Group Lotus was acquired by Bugatti 18 months ago from General Motors of the US after Lotus had suffered several years of

substantial losses.

Bugatti, controlled by the family interests of Mr Romano Artioli, a 62-year-old Italian entrepreneur, is being forced to sell Lotus in response to its own growing financial difficulties. Bugatti International, regis-tered in Luxembourg, and its

US executives paid nearly three times more than UK bosses

By William Lewis in London

Chief executives of US-based companies are paid nearly three times more on average than the highest-paid directors of UKbased companies similar in size and performance.

An independent study carried out by Professor Graef Crystal, an expert in American executive pay, has also found that the gap between US and UK executive pay is greatest at companies with annual sales of more than \$30bn. "It is no surprise that US firms pay considerably more than British firms," Prof Crystal said.
"But the USUK differential is not constant. It varies by company

size with the greatest gap found when the comparison involves the largest companies."

Prof Crystal found 16 companies in the US and 16 in the UK which could be matched in terms of type of industry, company size and returns to shareholders over

the previous five years. Using the latest remuneration details made available to share-holders, Prof Crystal compared the pay of the highest-paid director of each UK company with the pay of the chief executive officer at each US group.

His analysis found that in 1983 the US chief executives on aver-age earned 2.7 times more than their British counterparts. For Continued on Page 18 example, Mr John McGillicuddy, Chequered Lotus, Page 8 then chief executive of Chemical

Banking in the US, was paid 8.3 times more than Mr Andrew Buxton, his counterpart at Barclays Bank, and now UK chairman.

According to Prof Crystal's calculations. Mr Buxton's "total direct compensation" in 1993, including share options and bonus payments, was \$662,000 compared with Mr McGillicuddy's total remuneration of

The analysis also found that Mr Derek Wanless, UK chief executive of National Westminster Bank, was paid \$912,000 in 1993, six times less than Mr McGillicuddy. Prof Crystal's analysis shows that there are close similarities between all three banks in terms of their size and five-year shareholder return per-

Another example is Mr Sipko Huismans, UK chief executive of Courtaulds, who earned 2.7 times less than Mr Harold Wagner of Air Products & Chemicals, In 1993 Mr Huisman's total pay was \$625,000 compared with \$1.69m

earned by Mr Wagner.
There has been widespread criticism in the UK of pay awards for directors of public companies. The UK government has said it may introduce legislation following the completion of a study of top bosses' pay by the Greenbury committee, a group of senior industrialists headed by Sir Richard Greenbury, chairman of Marks and Spencer.

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LONDON - PARIS - FRANKFURT - STOCKHOLM - NEW YORK - TOKYO

Telecoms liberalisation | French candidates go on the road puts squeeze on Bötsch Balladur hosts fête with dry ice and bungee jumps

Michael Lindemann talks to the German minister preparing for an end to monopolies in 1998

Bötsch: man in middle

of the market to competition

before 1998, arguing that

greater competition will cut telecommunications costs for

German industry and give Ger-

man companies a better

launchpad from which to break

into the European telecoms

Most of the headlines have

been caused, however, because

Mr Bötsch stands accused of

in part the resignation last

December of Mr Helmut Ricke,

the company's chief executive,

who said civil servants were

in February, after more pro-

tests from German industry,

Mr Bötsch was forced into a

humiliating admission of guilt

and withdrew Mr Gerhard Pfef-

fermann, one of his top civil

servants, from Deutsche Tele-

kom's non-executive supervi-

ut the minister, a com-

But the indication after years as the chief whip

of the Christian Social Union's

parliamentary party, is not

about to apologise for the fuss

about the Pfeffermann appoint-

ment. "It's better that a politi-

cian admits that he didn't

making his life too difficult.

market in 1998.

the German post and telecommunications minister, is rapidly becoming one of the most prominent ministers in the German cabi-

Running a telephone network and making sure that letters arrive on time are seldom the most important jobs in government but the song and dance about telecommunications in Germany - the world's third largest market ~ means Mr Bötsch is getting more attention than he could have dreamed of.

He has just returned from a week-long tour of south-east Asia, where, accompanied by executives from several of Germany's biggest companies, he sealed an important telecommunications deal in Indonesia and pitched for more business in Thailand.

At the end of this week he makes a lightning trip to Washington, the first of two, during which he hopes to per-suade US politicians that the German telecommunications market is not as closed to foreign competition as they claim. The limelight is focused on Mr Bötsch, a lawyer who has been doing the job for just over

two years, for good reason. He is having to mediate too much political interference at Deutsche Telekom, causing between powerful political

On the one hand, Mr Theo Waigel, the finance minister and a fellow Bavarian, has written to him warning him against any ambitious plans to open up parts of the German telecommunications market before 1998, when telephone monopolies will fall across most of Europe.

Too much competition might jeopardise the forthcoming privatisation of Deutsche Telekom, the world's third largest telecommunications operator, Mr Waigel said.

Also readying for a fight are a formidable array of German companies which have teamed up with international partners, and Mr Günter Rexrodt, the economics minister.

They are prodding the ebullient Bavarian to open up parts notice the problems beforehand but still sorts them out in time," he said during an inter-

He seems, instead, to think that he has got over the worst patches of the long haul on the way to a deregulated German telecommunications market.

Last year he badly needed the support of the opposition Social Democratic party, which was determined to keep Deutsche Telekom in public ownership, in order to muster the two-thirds parliamentary majority needed to change the constitution and allow the state-owned operator to be turned into a joint stock com-

The job was not easy, Mr Bötsch insists. "One had to take a politician with the sort of experience that I have to get anything done at all."

Now all he has to deal with is a regulatory council which represents parliament and the 16 German Länder (states) and has a say in how exactly policy 1998. Working with the council is going to be easier than with parliament, Mr Bötsch savs. hecause a government decision will be enough to overrule the 32-strong body if it decides to drag its feet.

But the fight may not be over so quickly. One of the rea-sons Mr Bötsch is hurrying across the Atlantic is to persuade US regulators to allow Deutsche Telekom to take a stake in Sprint, the third biggest US long distance carrier.

The Sprint stake would turn the German operator into a player in the global telecommunications industry, making its shares more attractive, but the US authorities insist Germany must first go further in deregulating its own market.

And the European Union is demanding that Deutsche Telekom sell off its cable television network, Europe's largest, to which 14.5m households are connected, in order to improve competition in Germany. Here too Mr Bötsch will be under pressure not to give way, but in order to do so he will need every bit of his political skill.

lofty image, and reverse the dramatic decline in the polls French people. Turning his fire which has left the one-time Balladur. favourite struggling in the wake of Mr Jacques Chirac, his France's sober. Gaullist rival.

"Balladur is in search of a populist touch and is raising the vigour of his campaign." says Mr Pascal Perrineau. director of French political studies at Science Po. the research institute. "One of his biggest weaknesses has been the impression that he is an aloof technocrat, distant from the people. So he is responding by more activity on the ground. This is all the more vital because of Chirac's popu-

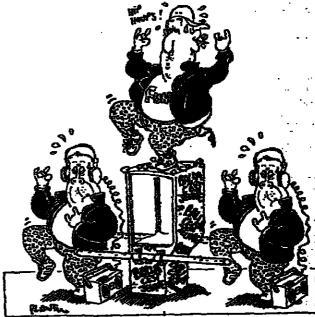
list strategy."

Hence the new-style rally. with a special emphasis on drawing the youth and women's votes, and hence a more dynamic, pugnacious stance towards his opponents. Taking the stage after a warm-up act by a Caribbean rock band and a blast of dry ice, Mr Balladur attacked the "demagoguery" of Mr Chirac, whom he accused of

on Mr Lionel Jospin, the Socialist candidate, who is running neck and neck with the premier in the polls for the April May election. Mr Balladur disparaged the legacy of 14 years of a left-wing presidency

In trying to reverse his lading fortunes. Mr Balladur can find some encouragement. Latest polls show that up to 40 per cent of voters have still to decide and that the decline which has dragged the premier from pole position has stabilised, but at a low level. "In most polls there is now a 6-10 point gap between him and Mr Chirac," says Mr Perrineau.

Mr Balladur has little time to promote a new image. At Le Bourget, he cut an incongruous figure against the fairground attractions and New York style graffiti spelling out the word Liberté. As he jostled among the crowd in search of a second electoral wind, there were plenty of images of a



Hip-hop Balladur. How Le Monde sees the premier's new image

jumper by the entrance to Mr the bashful smile on Mr Balla-

Lionel Pioline, the world tram- dur's face, the images did not

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'Pardoned' Chirac promises health and long life

By David Buchan in Bordeaux

By John Ridding in Paris

FRENCH

attractions.

Mr Edouard

natrician prime

best known for his parties. But best known for

this weekend

Edouard.

ELECTIONS shared the bill-

April 23/May 7 ing with rock and hip-hop bands, Caribbean

rum bars and fairground

There was serious business

behind the festivities at Le

Bourget, north of Paris. The

rally, which drew more than

15,000 people and was the big-

gest the premier has held in his bid for the presidency,

marked an attempt to reignite

his flagging campaign. Its style

reflected a shift in strategy, as

the prime minister seeks to

broaden his support, shed his

minister, is not

he played host

to the Fête à

national rally

in which he

Old men may not forget, but they do occasionally forgive. And that is what France's longest serving mayor, Mr Jacques Chaban-Delmas, did on Friday when he invited Mr Jacques Chirac to Bordeaux town hall, his fief since 1947, and publicly endorsed Mr Chirac for the presidency.

There was transparent delight on Mr Chirac's face for being thus "pardoned" for lead-ing the Gaullist party revolt in 1974 against "Chaban", who was President Georges Pompidou's prime minister, and handing the presidential election of that year to the non-Gaullist Valery Ciscard d'Es-taing. If there has been one flaw in Mr Chirac's accusation that the prime minister, Mr Edouard Balladur, "betrayed" him this year in contesting his right to the Elysée, it has been that Mr Chirac behaved in the same manner 21 years ago. In a broader way, Mr Chi-

rac's weekend foray to Bor-

deaux, where he addressed a to you, you have gained an 7,000-strong rally on Friday night and spent Saturday morning talking to a small group of pensioners, showed his remarkable ability to rally young and old around him by hammering away at the need to improve both job and life expectancy in France.

Mr Chirac assured his cheering audience that he could put France back to work by breaking with the Balladur government's "static, accountant's vision" and by unleashing "the productive forces of the nation" to create jobs and so to prevent dole money draining the social security system dry. But Mr Chirac's best line of

the evening came in support of his rejection of the government's attempts to put a lid on health spending. Recalling that in little more than a century, French average life expectancy had risen to 80 years at the rate of an extra year in life expectancy every four years, he went on to say: "You see, in extra 15 minutes of life." The Bordeaux crowd loved it, as did a Paris audience the previous evening, Undoubtedly, Mr Chirac will go on cracking the same joke in the four weeks to the first round vote on April 23, for it encapsulates the "feel good" factor of his campaign.

Nowhere, of course, was Mr Chirac's health spending message better received than at the general assembly of the French medical profession on Friday. His 'refusal to ration health care or put a ceiling on health spending" were music to the ears of a profession which Mr Balladur has put under strong pressure for two years to limit excessive drug costs and unnecessary medical operations. These reforms are aimed at curbing a rate of health spending that has grown twice as fast as the

European average over the

past 10 years, and a doubling

since 1978 in the number of

prescribed and

report by a British pharmaceutical consultant, Mr Heinz Redwood, the Balladur reforms constitute "a promising start" to health reform in France, and deserve backing from the drug industry, which might otherwise one day be hit by compulsory controls. But the same gathering of

According to an independent

doctors gave Mr Balladur a very lukewarm reception when he warned them of the "heavy risks" involved in thinking that France's health spending could go on rising faster than its national output. Both the doctors in Paris and the pensioners in Bordeaux made clear that they prefer Mr Chirac's bedside manner to Mr Balla-

What the Bordeaux rally did confirm was the electorate's lack of interest in foreign or even European policy. Perhaps in deference to the presence of Mr Alain Juppé, the foreign minister, at his side, Mr Chirac spoke at some length about side world, but only scored two cheers from an audience that had gone suddenly listless.

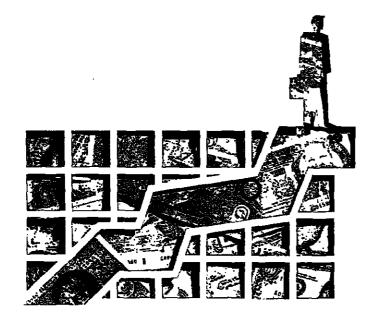
The first was when he demanded a tougher European trade policy so that the US would no longer get away with "taking our wines hostage" in trade disputes. Inevitably, this went down big in Bordeaux wine country. The second was his insistence on bringing the Brussels Commission under tighter political control, as he claimed Mr Juppe had succeeded in doing under the 1993

Gatt negotiations. The cheer was probably less for policy than for Mr Juppe, who has been Mr Chirac's longtime lieutenant in Paris politics but who looks certain to inherit Bordeaux town hall from "Chaban" in this June's municipal elections. If Mr Chirac wins the presidential election, Mr Juppé is also tipped to be his prime minister. Thus, as "Chaban" did a generation ago, he may end up running the country and Bordeaux at the









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Jospin scoffs at 'social reformer' rival

By John Ridding

Mr Lionel Jospin, the Socialist candidate for the French presidency, yesterday mched an attack on Mr Jaco the Gaullist favourite for the April/May election, and poured scorn on his attempts to draw left-wing votes through promises of social reform.

Mr Jospin sought to defend his territory on the left of the political spectrum, criticising Mr Chirac's overtures to the

who is saying that he no longer belongs on the right, who wants to erase the left-right divide," the Socialist candidate said

social justice and equality since his days "Have you ever seen Jacques Chirac in a

underprivileged. "There is a candidate in a strike?" asked Mr Jospin. "He has had a political career as a man of the right.

The criticism reflected the importance Mr Jospin said he had always fought for and homelessness, in the election campaign. Mr Jospin said he would declare a as a student and sought to ridicule his right to housing if he came to power. "I cannot bear any longer seeing increasing numbers of men and women, often young demonstration, except perhaps in support people, sleeping on the street," he said of private schools? Has he ever taken part promising big construction projects.

Atlanta now world's second airport

By Michael Skapinker,

Aerospace Correspondent Atlanta has overtaken Dallasi Fort Worth and London's

Heathrow to become the world's second busiest airport after Chicago's O'Hare, according to figures published today.
The Geneva-based Airports Council International says the number of passengers passing through Atlanta airport last year rose 13.9 per cent to 54.1m. Passenger numbers at O'Hare were up 2.1 per cent to

Dallas/Fort Worth was the third busiest airport last year, with 52.6m passengers, up 5.9 per cent. Heathrow, in fourth place, saw passenger numbers grow 8 per cent to 51.7m. Heathrow is the world's busiest international airport but has fewer domestic flights than its US competitors.

Los Angeles was in fifth ports worldwide grew 8 per place with 51.1m passengers, followed by Frankfurt with 35.1m.

In 1993, Chicago was in first place, followed by Dallas/Fort Worth, Heathrow, Los Angeles and Atlanta.

Airports in the US handled more aircraft last year than their counterparts in Europe. This reflects the smaller aircraft used in the US on domestic routes, with fewer passengers per flight.

Chicago saw 882,112 aircraft movements last year. Heathrow was in 17th place, behind other US airports, with 424,551. The world's fastest growing airport was Seoul, which saw passenger numbers rise 19.6 per cent to 27.3m. Las Vegas airport increased 19.2 per cent to 26.8m and St Louis, Missouri, grew 17.3 per cent 23.4m.

cent last year to more than 2bn. The fastest growth, albeit from a small base, was in Africa where passenger numbers rose 9.5 per cent to 13.7m.

The Pacific region recorded the second highest level, up 8.8 per cent to 267.9m. North American traffic was up 8.6 per cent to 998.3m. European traffic rose 8.3 per cent to 632.3m.

Cargo figures, seen as a more reliable economic indicator. told a different story. Asia showed the strongest rise at 13.8 per cent, ahead of North America at 13.5 per cent, the Pacific region at 13.1 per cent, Latin America and the Caribbean at 12.5 per cent and Europe, where cargo rose by 11.1 per cent. However, Africa reported an 11.2 per cent drop in cargo tonnage for the year.

April 1995

June 1995

September 1995

October 1995

November 1995

than 420 international airports and airport authorities, running close to 1,000 airports in

over 140 countries. Top ACI airports by passenger traffic 1994 Passengers Per cent (million) change Atlanta Dallas/Ft Worth 13.9 5.9 8.0 6.7 8.0 5.4 1.5 5.4 7.5 10.7 7.5 52.6 Heathrow (London) San Francisco 30.2 28.8 ACI said 401 airports partici-

Total passenger traffic at air-

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My particular areas of interest are (insert numbers)

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NEWS: INTERNATIONAL

Iraq rejects plan to modify UN oil sanctions

lraq yesterday rejected a new US and British proposal to modify United Nations sanctions to allow Baghdad to sell oil worth \$2bn (£1.2bn) and use the proceeds for humanitarian

Purposes.

The deputy prime minister. Mr Tariq Aziz. denounced the new plan as an American manoeuvre to prolong sanctions and said the plan gave Iraq too little money and interfered with its sovereignty.

The US and to a lesser extent Britain, lead efforts to keep sanctions, arguing Baghdad has not done enough to justify lifting them. Other western states that fought Iraq in the Gulf war are showing signs of dissent. Reuter. Baghdad

Refugees flee Burundi

Refugees from the Burundi capital continued to flee to Zaire yesterday following fierce armed clashes between the Tutsi-dominated army and ethnic Hutus at the weekend.

The exodus began after clashes in Bujumbura that the army blamed on extremists, who in turn blamed the military. Bel-gium and France advised their nationals to leave Burundi early for Easter, but said they did not plan to order an evacuation. President Sylvestre Ntibantunganya told Radio France Info yesterday there had been at least 150 deaths.

Some estimates of the exodus put the number of refugees as high as 50,000, but this was denied by UN officials. In Nairobi, a spokesman for the UN High Commissioner for Refugees said 15,000 people had crossed from Burundi into Zaire from Friday hight to Saturday night. Burundi's slide toward civil war began with a failed coup in October 1993, when soldiers assas-sinated the country's first Hutu president, Melchior Ndadaye. Ethnic fighting that followed left 50,000 dead. AFP, Bujumbura

Algerian assault over

Algerian security forces yesterday wrapped up a week-long ground and air operation against Moslem fundamentalists after killing more than 300 extremists, according to local news reports. The operation, which has neither been confirmed nor denied by officials, was said to be the army's biggest since the bloody Islamic insurrection aimed at ousting the military-backed government was launched in early 1992. Press reports gave no details of losses by security forces but said a large amount of communications equipment and drugs was seized

Armed Islamic groups in Algeria launched a guerrilla war against the secular, army-backed regime after the January 1992 cancellation of elections that the Islamic Salvation Front, now banned, was poised to win. AFP, Algiers

Manila action irks Beijing

The Philippines' seizure at the weekend of four Chinese fish ing vessels in the disputed Spratly Islands in the South China Sea risks causing a chill in relations between Beijing and Manila. The latest irritation follows last week's destruction by the Philippines military of Chinese marker buoys in an area of the Spratlys claimed by both sides. On Saturday, Beijing criticised the Philippines for blowing up the marker buoys. The Foreign Ministry said: "This action will do no good in the settlement of the issue, nor will it do any harm to China's sovereignty over the Nansha [Spratly] islands."

A presidential statement in Manila said the fishing vessels

were detained by a naval patrol boat and transport ship near Alicia reef. Talks last week in Beljing aimed at relaxing tension were inconclusive. Beijing says its sovereignty extends to 80 per cent of the South China Sea, including areas over which the Philippines, Vietnam, Malaysia and Brunei also have claims. Some of these areas are believed to be rich in oil. Tonu Walker, Beijing

Chinese vehicle ventures

Delphi Automotive Systems of the US, one of the world's biggest automotive suppliers, expects to double investments in China this year to \$100m (£61m). Mr JT Battenberg, president of Delphi, a division of General Motors, said the company was negotiating 20 projects and expected to make announcements of new ventures within the next month. Delphi was looking at involvement in the production of lighting items, steering equipment, air conditioners and chassis components.

Delphi is engaged in five joint ventures in China for the production of such items as electrical systems, ignition cables

Mr Battenberg was visiting China for the launch of technology institutes in China as part of General Motors' effort to re-establish itself in the world's fastest growing vehicle market. GM is in hot competition with Ford for the right to build a medium-sized passenger car in Shanghai. Bidding for the \$1bn-\$2bn project is expected to be announced soon by Shanghai Automotive Industry. Delphi's new component projects are expected to be in the Shanghai area. Tony Walker, Beijing

Turkish foreign minister named

Erdal Inonu yesterday became Turkey's new foreign minister, the first appointment in a realigned cabinet. His first task will be to calm western anxieties over Turkey's incursion a week ago into northern Iraq in search of Kurdistan Workers party (PKK) guerrilla bases. Mr Inonu, son of a military hero and comrade of modern Turkey's founder, Remal Ataturk, commands support from both sides of the newly united left wing party in the coalition government of Prime Minister Tansu Ciller. Mr Inonu is a former leader of the social democratic People's Social party which merged last month with the smaller People's Republican party originally created by Atatürk. The long delay in agreeing a government programme and a new cabinet had led to fears that the CHP would split into its constituent parts. John Barham, Istanbul

Strike disrupts Pakistani cities

Business activity in Pakistan's two largest cities was widely disrupted on Saturday as businessmen called a national strike to protest against government inaction over the rising vious to protest against government according to the comment of the lence in Karachi, the country's commercial capital. Lawlessness in Karachi caused by gang warfare involving the city's rival ethnic and religious groups has left over 360 people dead

this year alone.

Most businesses and factories in Karachi were shut and roads were largely deserted following the call for strike by the roads were largely deserted following the call for strike by the federation of Pakistan's chamber of commerce and industry, or FPCCI, Pakistan's largest business federation. Lahore, the capital of the northern province of Punjab and the country's second largest city, was also badly affected. The government responded by sacking Mr S M Muneer, president of the FPCCI, and three other senior FPCCI members. Mr Muneer said he would challenge the sacking in court. Farhan Bokhari and Graham Bowley, Lahore

Rabin accuses Likud

Mr Yitzhak Rabin, the Israeli prime minister, accused the right-wing Likud opposition at the weekend of complicity with Islamic enemies of the Israeli-Palestinian peace process. "Hamas and Islamic Jihad succeed as they do," he said, "because of the help they get from Likud. Every time there is a terror attack, Likud denounces government policy."

The Likud leader, Mr Binyamin Netanyahu, responded yesterday by accusing Mr Rabin of "taking leave of his senses". A poll yesterday indicated the public no longer trusts Mr Rabin to look after its security. The survey by Tel Aviv

A pour yesternay indicated the public no longer trusts Mr Rabin to look after its security. The survey by Tel Aviv University showed Likud was seen by 47 to 19 per cent as the party best equipped to win the fight against terrorism. The party best equipped in the month after a suicide bombing killed 21 poll, taken in the month after a suicide bombing killed 21 Israelis, showed Mr Netanyahu winning 60-40 in a straight fight with Mr Rabin. The prime minister's tough stance since the January 22 bombing has regained some lost ground during March, Eric Silver, Jerusalem

Time for independence may have passed

Trans Dnestr's dreams of separatism seem increasingly unsustainable, writes Chrystia Freeland

he government of Trans Duestr, a breakaway republic on the northeastern rim of Moldova, yesterday sought a popular mandate for a kind of separatism which, more than three years after the collapse of the Soviet Union, appears increasingly to be

By holding local elections and a referendum on whether Russia's 14th Army should be withdrawn, Trans Dnestr's separatist leaders yesterday sought public support for the independence they won in a messy civil war nearly three

According to early reports. turnout was high, with 42 per-cent of eligible voters casting ballots by noon. Polling stations featured well stocked buffets to attract voters, a classic Soviet-era ploy, while a choir of elderly women moved from one station to the next, singing old Soviet sones.

Queues rapidly formed outside polling stations where sausage, a rarity in Trans Dnestr stores, was on sale. Voters were expected to back separatist politicians and call on the 14th Army, seen as an important shield against a potential Moldovan effort to reconquer the territory by force of arms,

Although the poll is not

binding, it is likely to strain relations between Moscow and Chisinau, the Moldova capital, and widen the rift between Moldova and Dnestr.

Many of the Trans Duestr population believe that the army is their guarantee for peace. Most of present-day Moldova was once part of Romania, occupied by the Soviet Union in 1940 under a secret pact with Nazi Germany. The exception is Trans Dnestr. formerly part of

Trans Dnestr unilaterally proclaimed independence amid fears that Moldova's Romanian-speaking majority would seek a merger with Romania and Russian speakers would then become second-class citi-

But no matter what the verdict of Trans Dnestr's 720,000 inhabitants, their region's sov ereignty appears increasingly

It has been eroded by economic collapse, at a time when the Moldovan economy shows robust signs of revival, and by a new geo-political equation which is emerging in the former Soviet Union.

The first sign of the new, anti-separatist climate came earlier this month, when the Ukrainian government took tough legislative action to curb

the autonomy of its own breakaway region, Crimea. Like Trans Dnestr, Crimea is dominated by ethnic Russians and its separatist leaders in the past had enjoyed covert sup-port from Moscow which made Ukraine reluctant to clamp

But Russia's ongoing war in Chechnya has altered that political calculation. The logic of the war in Chechnya, where Russia has justified a brutal intervention on the grounds of the need to preserve its territorial integrity, compelled Russian leaders this month to endorse openly Ukraine's

crackdown on ethnic Russian

separatists. A similar Chechen effect appears to be playing into the hands of the Moldovan leadership in its relations with the Trans Dnestr regime.

he Russian government, whose senior officials have in the past flown to Tiraspol to offer their support to the separatists, has been noticeably silent on the eve of this weekend's vote.

The Trans Dnestr separatists have another reason to fear the loss of Russian patronage: Moscow's hostility towards Gen Alexander Lebed, the commander of the 14th Army. Moscow's desire to deprive Gen

Lebed - who has been an outand is touted as a potential hardline presidential candidate - of his power base was one of the reasons why last October it agreed to Moldovan demands and signed a document promis-ing to withdraw the 14th Army from Trans Dnestr over the

next three years. Russia's quiet withdrawal of support also poses a more seri-ous long-term threat. In con-trast with Chechen fighters, but like the separatists of Crimea, Trans Dnestr's rebel lead-ers fought to preserve an empire, not to create a new

Their hope, symbolised in the mounted figure of the Tsarist General Suvorov who adorns the new Trans Dnestr banknotes, has always been for Trans Duestr to again become. as it was in Suvorov's time, Russia's south-western military outpost.

The new geo-political climate in the former Soviet Union has made this prospect increasingly unlikely. And so Trans Dnestr's new leaders, who have grown fond of ruling, are now scrambling to create a new country.

Yesterday's vote is part of this process, but creating a national identity for this acciKynon"

MOLDOVA

ROMANIA

difficult than holding local elections.

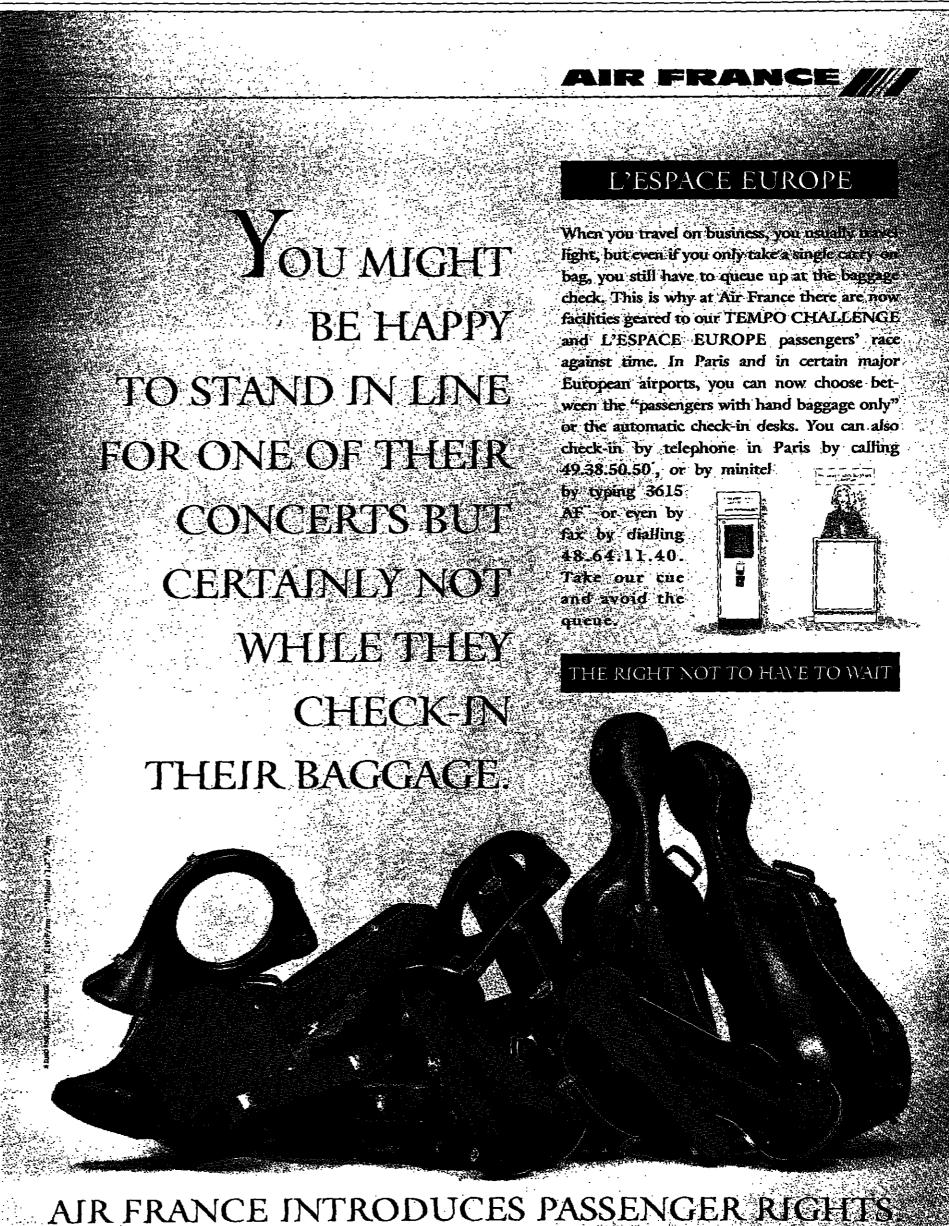
Apart from Suvorov, the nation's only new heroes are the 200-odd casualties of the 1992 civil war. Their graves are adorned with fresh flowers and even the battle-scarred tanks have become national symbols and are treated as public monuments. Even Trans Duestr's dental state is proving more official trilingualism - Rus-

sian, Ukrainian and Moldovan are the state languages -which local authorities proudly contrast with the "rabid nationalism" of Moldova, is a

bit shaky in practice. The Ukrainian phrases on the republic's printed bank-notes are misspelt and in Trans Dnestr Moldovan is still written using the Cyrillic alphabet which Stalin imposed after the second world war and which has given way to Latin letters in Moldova itself.

The economics of independence are another weak point. Frozen in Soviet-style central lion's share of Moldova's inefficient heavy industry, Trans Dnestr's economy is collapsing, while, left with a fertile agri-cultural base, Moldova has brought inflation down to a monthly 2.3 per cent and is aiming for an annualised rate of 10 per cent by the end of the

As their dream of rejoining Russia becomes more and more improbable. Trans Dnestr's separatist leaders were hoping yesterday that their long-suffering populace would give them a mandate to continue the quixotic struggle to transform their tiny, impoverished and ethnically divided territory into a viable new



Patten challenges Beijing on HK court



Patten: believes court will boost business confidence

By Simon Holberton in Hong Kong

Governor Chris Patten of Hong Kong challenged China at the weekend to explain why it objects to a plan, agreed in 1991, to establish the colony's highest court before the 1997 handover to Beijing.

The governor's call comes amid signs that Britain and China are headed towards another bout of confrontation over a sensitive Hong Kong

The Hong Kong government believes that establishing the court of final appeal before the handover will give an important boost to local and international business confidence; it will seen as evidence that the rule of law will prevail after

1997, the government argues. Mr Patten said the government was "puzzled about the delays and the problems on the Chinese side. The agreement was reached in 1991. Why suddenly are problems being raised now?

There are signs Britain and China are headed towards more confrontation

Many observers believe that China wants to choose the judges. Informally, China has suggested discussion about the court be left to next year when

charged with selecting the to go ahead unilaterally and post-1997 administration comes into being.

The court will act as Hong Kong's highest appellate court, replacing the judicial committee of Britain's Privy Council as the final arbiter of legal dispute in the colony.

Mr Patten, who wants to see it established by mid-1996, may be forced to seek legislative approval without China's blessing - something he is loath to do. Local politicians are divided over the 1991 agreement that Britain struck with Beijing, and Mr Patten's advisers are not sure if he can muster enough votes in the territory's assembly, LegCo, to carry the day.

Of equal concern is China's

threatened to undo what is not

Britain and China agreed in 1991 that the court should be set up before 1997. Since May last year China has had a copy of a bill enabling the creation of the court; earlier this year it was also given amendments which followed consultation with Hong Kong's legal profes-

The government wants the bill through the legislature by July so it can achieve a mid-1996 start date. But on Friday a senior Chinese official in Hong Kong said it was "impossible" for Beijing to accept the Hong Kong government's legislative

In a replay of the failed polit-

accounts for less than 0.5 per

cent of the country's total land

Mr Zenshun Arakaki, a lead-

ing socialist member of the

Okinawan assembly, says:

a high-powered committee attitude; it has warned him not ical talks of 1993, British negotiators refused to guarantee Mr Patten would refrain from pushing ahead with the bill until Sino-British agreement

had been reached. Visits to Beijing over the coming two weeks by two former British prime ministers will provide Britain with an opportunity to emphasise to Chinese leaders the need to make progress on this and other Hong Kong issues.

Lady Thatcher, who agreed in 1984 to hand back Hong Kong to China, has been personally briefed by Mr Patten on the importance of the court. Sir Edward Heath, who travels to Beijing in 12 days' time, is also expected to encourage the Beijing leadership to relax its

He indicated that the US

would not be opposed to clos-

ing some bases as long as alter-

native sites in Japan were

This is hardly surprising. US

bases in Japan are among the

cheapest in the world -

because the Japanese govern-

Last autumn, the chief

bureaucrat at the Defence

Facilities Agency revealed the

Japanese view when he told

the Okinawans they would

have to accept US bases for

The cruel irony for the Oki-

nawans is that they may suc-

ceed in getting some bases

closed - only to see others

opened up or extended else-

Japanese government.

facilities.

facilities.

Thai central bank warns on lending growth

By William Barnes in Bangkok

The Bank of Thailand, Thailand's central bank, has sent a strong warning to the country's domestic and foreign banks to rein in lending to within the target loan growth rate of 24 per cent for the year. The message was explicitly

aimed at the 15 commercial banks but signals that foreign banks should curtail their dollar lending, after aggressive expansion over the past year. Rapid credit growth of 30.3 per cent in January and 28.9 per cent in February has helped push inflation up to 5.1 per cent in February - higher than the banks' target limit of 4.8 per cent for 1995.

Dollar lending has increased even faster than baht loans by the domestic banks, which expanded by 22 per cent in Jan-

The largest increase in dollar lending came from the less established foreign banks, operating without full branch licences in Bangkok, but seeking to establish a foothold through representative offices.

"Some of the foreign banks' representative offices have ment agrees to pay for the cost really gone bananas – what I of the land and many of the hear is that they have really been cutting the margins down That puts the onus on the to build up market share. It's this dollar lending which has Though it is prepared to really got out of kilter," said move some small facilities to Mr Graham Catterwell, the the mainland, it is anxious not country representative for to agree to a significant transcrosby Securities.

Lending by the 22 foreign banks with only representative offices through the Bangkok International Banking Facility was 452 per cent higher, yearon-year, in February.

in contrast, the 30 foreign and local banks with full Thai banking licences increased such lending by a more modest 107 per cent.

Half-a-dozen Japanese banks the Sumitomo Bank, Sanwa Bank, Long Term Credit bank of Japan, Industrial Bank of Japan, Mitsubishi Bank and Dai-ichi Kangyo Bank - haye been particularly active.

Thailand requires a net capital inflow equivalent to 5.9 per

product each year because the savings rate of 34.1 per cent cannot support investment at approximately 40 per cent of

But the central bank wants lending directed to production rather than consumption to ease pressure on the currency. keep inflation down and sunpress any build-up of speculative asset inflation - particularly in the property market.

Mr Thirachai Phuvanat-Nar-

anubala, director of the Bank of Thailand's institutional supervision and development department, warned that any local bank that overran the general 24 per cent credit growth limit in the first six months of the year would find its individual credit lending cap proportionately reduced for the remainder of the year. Mr Thirachai also said real

extended to properly capitalised and viable projects - not to people making short-term speculative punts on property. He said Thai banks flaunting the credit limits might find it difficult to obtain permission from the central bank for future business transactions. The foreign bank representa-tive offices will also want to be seen as helpful to improve their chances of winning one of

estate loans should only be

licences that will be given out in May 1996. The Bank of Thailand underlined its concern over strong credit growth earlier this month by raising the discount rate - the rate at which it lends to domestic banks - by one percentage point to 10.5

up to seven full branch

The largely symbolic discount rate is used by the central bank to indicate the direction it would like interest rates to go. However, simply raising interest rates to curb credit growth could backfire, injecting liquidity into the money markets by luring more foreign

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Hence the central bank has turned to supervisory measures to limit credit growth.

Okinawans seek an end to US 'occupation'

War legacy of world's biggest military base complex continues to irk islanders, writes Gerard Baker

19-year old Masahide Ota was hauled from his school in southern Okinawa, and, along with thousands of his fellow-students, found himself sucked into the nightmarish denouement of the second

He was given a uniform and a rifle and was forcibly enlisted in the "Blood and Iron Student Corps", a specially created unit of schoolboys given the task of contributing to the island's defence against invading US

The Japanese military's strategy was a cynical sacrifice of the small island to buy time for the defence of Japan proper time bought at the eventual cost of a third of the population of Okinawa.

A half-century later the young man who witnessed the brutality on the island is now its governor.

Today, he finds himself again in the critical phase of another struggle over its future. a fight much less bloody than the savagery of 50 years ago, but one of significant modern-day consequence for relations between Japan and the US.

The struggle today is to rid the island of the principal legacy of the Battle of Okinawa one of the largest concentra-

tions of military bases anywhere in the world.

It is a fight that seems set to come to a head in the next few partite meetings are scheduled between the Okinawans, the US and the Japanese govern-

"The Okinawan people have waited for the benefits of the neace dividend for too long," savs Mr Ota.

A top Japanese official has told the Okinawans they would have to accept US bases for ever

"In this, the 50th anniversary of the battle of Okinawa. it is our real hope that the first steps can be taken.

But those hopes of progress are dimmed by the realisation that real change lies not in the islanders' own hands, but in Tokyo – in the hands of a government that has treated them as little better than vassals in

After the war the US stayed on, occupying Okinawa long after their rule had ended on

the main islands of Japan. They finally handed it back to Japan in 1972. But they did not return most of their military property.

They have maintained a massive presence - more than 50,000 servicemen and women and their families, the largest air base in Asia, and enough firepower concentrated in ships, aircraft and tanks to conduct a sizeable regional war all in a little over 2,000 sq km of tropical Pacific terrain.

Ever since the formal reversion of the island to Japan, the Okinawans have been lobbying hard for the closure of at least some of the bases, but without When the cold war ended

they sensed an opportunity to begin the process of demilitarisation. But while the US military has retrenched around the world, in Okinawa, the reduction has been minimal. The governor and local poli-

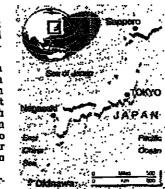
ticians argue that the existence of the US bases is a blight on the country's society and econ-Dozens of local people have been killed in accidents involving US military, while crime committed by US personnel is

a growing problem, and the

presence of the bases inhibits

opportunities for other eco-

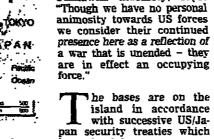
nomic activities.



Okinawa has the lowest income per head of Japan's 47 prefectures, the lowest levels of educational attainment and one of the least advanced infrastructures.

"We could rebuild our economy with our own hands if only we had access to the land and resources now held by the US," says Mr Ota.

of regional conflict troubles its But what particularly irks them is that their tragic history has singled them out for a vastly disproportionate share of Japan's US military burden. More than 70 per cent of all US



began in 1952. The pressure from the Okinawan government has at last resulted in progress of a sort for the last six months the Japanese authorities have been negotiating a return of the land occupied by three bases to

the Okinawan people: a naval facility in the prefectural capital. Naha, a firing range and an And the prospect of again being a battlefield in the event The US has agreed, in principle, to the return of the land. But the US is adamant that

any lands given up should be replaced. Gen John Shalikashvili, the chairman of the US joint chiefs of staff, said earlier this year the US would agree to change forces in Japan are located in on the principle of "leaving it Okinawa, an island that as it is" - that is, that there

They are understandably bitter. According to Mr Arakaki: "The Japanese have sacrificed the Okinawans for their military ends before. We remain little more than a tool for the Japanese government."

where on the island.



Riga, LV 1083

by the Latvian Privatization Agency Enterprise number, name, location (in brackets: type of business [capacity p. a. if available],

2nd International Tender for the sale of

Riga, LV 1083 (Construction, assembling and land works, renting out

of construction equipment, road regain works, asphalt paying, road covering, [D.13 mill. LVL)/80) (LV-172) V/U "Dobeles Buvnleks" Dobete, LV 3701

(Construction and building works, renovation works, [0.29 mill, LVLI/53) (LV-191) V/U "Auto" (Assembling and renovation works, repair of automobiles, [0.07 mill. LVL]/44)

(LV-230) V/U "Engineering Networks" Riga, LV 1067 (Civil engineering [150 m/d], basement construction [1,200 cbm], road construction [35,000 sqm]. (0.06 mill. LVL)/32)

(LV-240) V/U "Baltic Office of Energy Assembling" Ruga, LV 1093 (Heating installation, heating repair works, [0.14 mill. LVL]/48) UILDING MATERIA

(LV-175) V/U Reinforced Concrete Construction Plant No. 3 Riga, LV 1004 (Pre-labricated reinforced concrete elements [230,000 cbm]. [0.10 mill. LVL]/53) (LV-189) V/U "Laxdums"

Jekabpils, LV 5200 (Pre-fabricated reinforced concrete elements [12.000 cbm], [0.04 mill, LVL]/43) (LV-201) A/S "Jelgava Reinforced Concrete Plant" (B-201)/CO stages Liegava, IV 3002 (Reinforced concrete elements [54,000 cbm], concrete blacks [10,000 cbm], [0 14 mill. LVI,]V48)

(LV-220) V/U "Rigas cettnieks" Riga, LV 1009 (Insulated aluminium windows [10,000 sqm], mlay [500 I], steel tramework [200 I], chalk and oil putty [1,000 I], [0,13 mill. ULL[47]

(LV-229) A/S "Buvdetala" Riga, LV 1073 (Perit granulate [100,000 sqm], bitumen isolation [60 km], concrete [400 cbm/d], reinforced concrete blacks and pipes [24,000 cbm], [0.60 mill. LVL]/120) (LV-231) V/U "Sauriesi Building Materials Plant" Sauriest, LV 2132 (Gypseous stone [300,000 f], gypsum [100,000 f], gypsous stats [60,000 sqm], gypsous putly [500 tj. [0.31 mill. LVL]/106)

(LV-169) A/S "Misz Peat" iPeat [98,000 f], [0.19 mill. LVL]/129)

(LV-180) V/U "Aizpute Peat Factory" Alzoute, LV 3456 (Fire peat [139,000 t], peat litter [38,000 t], compost [5,000 t], [0.12 mill, LVL]/54)

(LV-178) V/U "Ozois" Rica, LV 1005

[turnover in '94 in Latvian Lats (LVL)] /number of employees end '94)

rega, to 1003 (Furniture sets [1.000 pcs], tables [1.340 pcs], wardrobes [150 pcs], shelves [1.200 pcs], stools [1.000 pcs], veneer plates tabrication [10,000 sqm], [0.11 mell. UAL[90] (LY-179) V/U "Brasa"

Rica, LV 1013 (Furniture sets [2,140 pcs], office furniture [1,000 sets], desits [2,600 pcs], wardrobes [2,100 pcs], shelves [8,300 pcs], [0,83 mill, LVL)/220)

(LV-203) V/U "Latgale Beer" Daugavpils. LV 5400 (Beer [15 mill. I], soft danks [5 mill. I], [0.98 mill. LVL)/

(LV-208) A/S "Liepaja Beer" Liepaja, LV 3400 (Beer (9.2 mill. II, soft drinks (3.6 mill. II, malt (1,150 I), (0.13 mill. LVL)/64) (LV-202) A/S"Zemgale"

lauska, LV 3901 (Conned fruit and vegetables [13 mil. cans], (LV-204) V/U "Rezelore Cannery" kne, LV 4600

(Canned fruit and vegetables (4.5 mill. cans), (0.07 mill. LVL)/52) (LV-187) V/U "J. Rudzutaką Ventspils Fish Carmery" Ventsplis, LV 3600 (Fish meal [150 I], canned fish [5 mill. cams], pickled fish (150,000 cans), fish cookery (25 t), (0.48 mill. UL)/300)

(LY-232) VAU "Liepaja Base of Ocean Fishing Flect" Liepaja, LV 3400 (Fish, fish oil and meal, [3.36 mill, LVL]/1,266) (LY-236) Y/U "Juta" Rigs, LV 1180 (Marne catering, [0.29 mill. LVL]/40)

(LV-301) A/S "Jekabpils Suger Factory" Jekabpila, LV 5202 (Suger [540 t/d], [2.07 mill. LVL//306)

INDUSTRIAL ENTERPRISÉS

REPUBLIC OF LATVIA

(LV-153) A/S "Hitorolat"

Liepaja, IV 3401 (Hydraulic cylinders [100,000 pcs], hydraulic autocranes [85 pcs], universal machines for forage preparation [800 pcs], handle cultivators [6,000 pcs], cast Iron moutding [700 Q, [0.36 mtll. UNL/375) (LV-154) A/S "lbma"

(Special machine tools and automation systems. design of special machine tools and automation systems, printing works, software design, [0.22 mtl. LVL[/173] (LY-206) V/U "Karsavas stars"

Karsava, LV 5717 (Agricultural machines [1,700 pcs], electric tences [530 pcs], [0.65 mill. LVLJ/41) (LV-226) A/S "Energoautomatika" (High voltage devices, measuring equipment, consumer goods, [0.85 mill. LVL)/268)

(LV-188) V/U "Mangali Ship Repair Plant" Riga, LV 1035 (Ship repair works [48 ships p.a.], [0.95 mill. LVL]/320) (LV-197) V/U "Riga Ship Repair Plant"

Riga, LV 1015 (Ship repair works [165 ships p.2.], [8.66 mill. LVLV1,615) (LV-182) A/S "Atrums"

Daugavpils, LV 5400 (Truck tauling services [25 mill. livm], [0.24 mill. LVL)/190) (LV-183) A/S "Automs" Riga, LV 1065 (Buck having services [18 mill tem], (0.25 mill LVL)/158) (LV-192) V/U "Rigges Pulss"

(Truck haufing services [10 mill. ban), [0.99 mill. UV.]/405) (LV-151) A/S "Ellar"

Riga, LV 1004

Riga, LV 1041 (Electro articles [19,500 pcs], plastic articles [20,400 pcs], bath room sets [10,800 pcs], household articles (31,500 pcs), valves for bicycles (450,000 pcs), (0.22 mill. ULI/275)

(IV-155) A/S "Metalserviss" Riga, LV 1035 (Spring blacks [240,000 pcs], furniture accessories [12 mill. pcs], packing band [1.000 f], [0.34 mill. LVL]/

(LV-159) A/S "Rezekne Milking Equipment Plant" Rezekne, LV 4600 (Milking equipment, spare parts, consumer goods, [1.21 mill. LVL]/485)

(LV-160) A/S "Riga Lighting Equipment Plant"

(Luminescent lamps [560,000 pcs], hanging lamps [70,000 pcs], wall and table lamps [46,000 pcs], shelves [105,000 pcs], [2.59 mill. LVLJ/604) (LV-161) A/S "Riga Plant for Electric Car Equipment" Riga, LV 1013 (Electric accessories for automobiles and tractors, locks, (3.46 mtll. LVL)/1,122)

(UV-170) A/S "Elektrokomplekts" Riga, LV 1005 (Switchboards (6,000 pcs), lighting equipment [500 pcs), heaters [700 pcs], [0.10 mill. LVL/55)

(LV-171) V/U "Kompresors"

(LY-184) A/S "Daugavpilis Autorepair Plant" Daugaypis, LV 5400 (Autoengis, Ev 5400 (Autoengis repair works (268 pcs), agricultural machines (184 pcs), spare parts, (0.16 mill. LVL/100)

(LY-225) V/U"RTR" Riga, LV 1046 (Small tools [41,500 pcs], vices [28,300 pcs], grinding devices, [0.28 mill. LVL/238)

(LV-156) A/S "Ogre"

Ogre, LV 5000 (foilted and woollen goods [4.0 mill. pcs], year [4.500 t], [10.72 mill. LVL]/3,202) (LV-157) A/S "Ogre Tape Factory"

Ogre, LV 5004 (Sticktapes [10 milt. sqm], [0.07 milt. LVL]/301

(LV-158) A/S "Porcelans" Riga, LV 1034 filousehold china, coffee and tea sets (2 mill, ocs). (0.14 mill LVL1/234) (LV-218) V/U "Automated Systems Research Institute for Civil Aviation" Riga, LV 1003 (Scientific research works, renting out of buildings, printing works, transport service, (0.10 mill. LVLV121)

(LV-235) A/S "Latvian Airlines" Riga, LV 1050 (Regular and charter flights [347 mill. pass.-km], leasing out of aircrafts, servicing of aircrafts of other companies, [4.67 mill. LVL]/ 641)

Tender Conditions

1. In accordance with its legal mandate the Latvian Privatization Agency (LPA) announces an inter-national tender for submitting bids for privatization of the aforementioned state enterprises and state joint-stock companies:

 bids for a state owned joint stock company (organized as A/S under Latvian law) should be for the majority of the shares of the company. LPA may reserve a part of the shares of the company for future privatization; b) bids for a state owned enterprise (organized as V/U under Latvian law) should be submitted

for its total operations: shop, building, equipment, etc.) of an enter-prise must be for a separable unit of an A/S or V/U. c) bids for assets or parts (e.g. production line,

Any legal and physical person (bidder) may bid. Only those bidders will be considered privatization subjects who have submitted a bid and will confirm the intent to privatize the enterprise in accordance with the privatization conditions to be set by LPA.

3. In deciding among the bids, LPA will take into consideration the business plan submitted, the bid price, promises to maintain or create lobs. pledges to invest and compliance with the privatization conditions.

ble for the accuracy and completeness of this

information. Prospective bidders will receive

written authorization from LPA to visit the enter-

prises on the basis of which further information

will be provided by the enteronse management.

Interested parties can obtain enterprise profiles without charge from LPA. LPA is not responsi-

5. Bids must be in writing and should be submitted of the enterprise for which the bid is submitted.

6. Bids must be received at LPA, 31 K, Valdemara Street, Riga, Latvia, LV 1887, no later than 2:00 p. m. (Latvian time), on April 27, 1995 (the "closing date"). Bids will thereafter be opened immediately. Prices indicated in the bids must be denominated in Latvian Lats (LVL), and shall remain valid for one hundred and twenty (120) days after the closing date. During the privatization process, LPA is author-

ized to require a bid bond of five (5) percent of the bidorice in the form of an irrevocable bank. guarantee or a similar guarantee, valid for one hundred and twenty (120) days. The bid bond must be payable on first demand and will be forfeited if the bidder either fails to hold its bid open for the period required by LPA or refuses to sign a contract in accordance with its bid. 8. LPA will decide on the bids within one hundred

and twenty (120) days after the closing date. Bidders may negotiate their bid within a period 9. The privatization of the tendered enterpris

will be carried out according to applicable Latvian LPA (Latvian Privatization Agency)

Druvis Skulte Jánis Naglis State Minister for Privatization General Director Office hours of the Tender office of LPA are Monday through Friday from 9 a.m. until 4 p.m.

For further information (enterprise profile, data on Latvia, visit authorization) please contact:



Privatizācijas ağentūra (Latvian Privatization Agency)

K. Valdemāra iela 31, Riga, LV 1887, Latvija

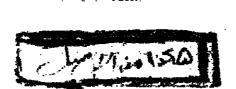
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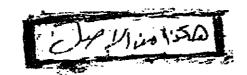
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FINANCIAL TIMES MONDAY MARCH 27 1995 *

NEWS: INTERNATIONAL

Third world 'worse off' after trade deal Uzbeks vote on

Low-income developing countries which import foodstuffs are likely to be significantly worse off as a result of the Harman Pariett and the deal of the Uruguay Round trade deal, according to a report* published today by the United Nations Food and Agri-

culture Organisation.

The Gart deal, which comes into effect in July, will lead to a rise in world agricultural trade of 9 per cent, but this will benefit developed countries rather than the world's poorest

nations, the FAO says. It estimates that Africa's agricul-tural import bill will rise from \$8.4bn (£5.3bn) five years ago to \$14bn by 2000 with 15 per cent of this increase due to the Uruguay Round. Developing countries are expected

and the second s

to see their food bills increase while preferential access to markets in many developed countries shrinks. Mr James Greenfield, PAO chief of commodity policy, said: "In this study, North America, Australia and New Zealand make trade gains while

Europe loses. Africa, broadly speaking, will be worse off on its trade account, unless it expands food production, diversifies export crops and increases intra-regional commodity

The FAO report predicts that North American farm exports will rise from \$15bn to \$22bn by 2000 with higher shipments of cereals, fats and oils, meat and milk.

Many of these exports could find their way to western Europe, which must open up its agricultural markets

leading to a rise in net imports of \$10bn to \$15bn by 2000, Import vol-umes of cereals, fats and oils, some meat and tropical products will rise, while European Union countries will export fewer cereals, oilseeds, milk

The commodity expected to see the largest rise in world trade as a result of the Uruguay Round is oils, including oilseeds. Shipments are expected to grow to 38m tonnes by 2000 or by 3.2 per cent a year. Trade in livestock is seen expanding by 2 per cent a year to 18.7m tonnes by 2000. The FAO, whose committee on commodity problems meets next week,

suggests that some countries need to

review their food policies in the light of the report's findings.

It said many developing countries need to build on any comparative advantages they may enjoy to increase food production and enhance

food security.

* Impact of the Uruguay Round on Agriculture, FAO, Viale delle Terme di Caraculla, 00100 Rome, Italu.

ally imposed changes in air-

craft traffic routes over Syd-

ney, polled between 7 and 25

per cent of the first preference

votes in the seats where it

stood, but did not swing any of

the inner-city seats most affected by the new airline

early increase in interest rates.

routes out of Labor control. The main issue now is what impact the poll results will

greater tenure for president

towards authoritarianism in Central Asia, two regional presidents moved this weekend to extend their tenure of office until the end of the century by means of a referendum rather than election, writes John Thornhill in Moscow.
In a referendum held in

Uzbekistan yesterday, President Islam Karimov asked the country's 11m voters whether they wanted to extend his sixyear presidential term - due to expire in 1997 - until the end of the century. The results will not be known for 10 days, but they are expected to show a significant majority in favour of extending his mandate. International observers were not invited to oversee the vote. On Saturday, Mr Nursultan Nazarbayev, president of neig-

after declaring last year's gen-

have on the May 9 federal bouring Kazakhstan, called for In January, the government promised a "significant tight-ening" of fiscal policy. Howa similar referendum to be held on April 29. Mr Nazarbayev, whose presidential term ever, last week, the prime mins due to expire in December ister was at pains to stress that 1996, will propose his rule be the economy appeared to be extended until the year 2000. slowing of its own accord, and Mr Nazarbayev, who disbanded parliament this month, played down any need for an

rently ruling by decree until another parliamentary vote can be arranged.
"We hear cries that there

will be a dictatorship. Yes, dictatorship will come, but a dictatorship of the constitution and of the law," he has told an assembly of people's deputies. There will be a real dictatorship if, under democratic slogans, chaos and anarchy will be created. Then the people will call for a firm hand." Both Mr Nazarbayev and Mr

Karimov, both former heads of their Soviet republic's communist parties, have stressed the difficulties of establishing democracies in countries which have little tradition of civil society and are suffering from severe economic dislocation caused by the collapse of the Soviet Union.

The media in Uzbekistan remains under state control and some opposition parties

In Turkmenistan, President Saparmurat Nivazov bas already won the backing of a dency by five years to 2002.

Labor 'biggest loser' in local polls

After a weekend of mixed fortunes at the polls for both main parties in Australia, the federal Labor government, headed by prime minister Paul Keating, was yesterday being viewed as the biggest loser. A federal by-election in Can-

berra - traditionally a fairly safe seat for Labor - was won by the opposition Liberal candidate, Brendan Smyth, in a 16 per cent swing on a two-party preferred basis (after the allocation of second and subsequent preferences), the biggest The Liberal vote was up by

about 10 per cent on a first The victory was hailed by Mr

eral Opposition - a coalition of Liberal and National parties as "a revolt by mainstream Australia against the Keating

government".

Mr Keating, by contrast, described it as a disappointing result, but said that it sent "a message (that) is well and truly received and will be However, there was less for

either party to cheer about in New South Wales, Australia's most populous state. Here, state elections left neither party with a clear majority after Saturday's poll, and it may be several days before the final situation is known.

Going into the poll, the Lib-The "No Aircraft Noise" erals (together with the

Nationals) had 48 seats, Labor 47, and there were four independents, three of whom were non-aligned but supported the Liberals on confidence

By the end of the weekend the Liberals had claimed one seat held by an independent. meaning that it was confident of holding 46 seats, and Labor. Two independents were also

returned. This left six seats undecided, with preferences and postal voting yet to be cal-Overall, the NSW poll showed a small swing away

from the Liberals, but towards the Nationals, Labor, and inde-



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Hanging prompts a media row

INTERNATIONAL PRESS REVIEW



"Please give us our freedom. Please free us from foreign employers." Cartoon from The Philippine Daily Inquirer

The row between the Philippines and Singapore over the execution for murder of a Filipina maid in Singapore 10 days ago has been a shock to the Association of South East Asian Nations' usual cosy consensus and quiet diplomacy. But, then, Asean has never really come to terms with its internal differences - not least the way the press acts in memher countries

In the Philippines the press is free, often outrageously so. Anything goes in Thailand as long as there is no critical mention of the royal family. The press in Indonesia tries hard to maintain some inde-

In Malaysia it is generally cowed, though there is often surprisingly frank criticism around the edges.

SINGAPORE

And then there is Singapore. The Singapore press has been unanimous in its condemnation of the outraged reaction in the Philippines to the execu-The island republic's media is heavily influenced by the government. But last week it seemed to be very much reflecting public shock at the recent turn of events.

"Singaporeans could be excused if they are amazed and angered by the Philippines elevation of a convicted murderer into a heroine after her execu-tion last week," said an editorial in The Straits Times. "But that is the way of mob logic." The paper said President

Fidel Ramos seemed to have forgotten that Singapore was not only a close Asean partner but was also a leading investor in the Philippines "long before many others were prepared to risk even a peso there." Several newspapers carried

street polls on the case. Most people were appalled at the Philippines' protests and the threats made against Singapo-There was solid support for

the government's strongly worded protest about the burning of a Singaporean flag at one demonstration. There are about 65,000 Filipi-

nos working as maids in Singapore. "Filipino maids interviewed say they want to stay in Singapore," said one head-

Reporters could not find a single maid who seemed to support the Philippines protests or who agreed with the ban announced by Manila on sending more workers to the island republic.

PHILIPPINES

In the Philippines, where Contemplacion was widely believed to be innocent, opinshow of unity in condemning the execution. "The Singaporeans mock our

ion formers managed a rare

grief and belittle our fate," said a leader in Today. "They exalt their cold-heartedness and contempt as maturity and reason and deride our capacity for sympathy as primitivism.

In a culture which prides itself on freedom of expression "fair comment" often sails dangerously close to demagoguery. Max Soliven, proprietor of the Philippine Star which carries his daily column, By the Way. typified the popular end of the market's reaction to the hang-

"I would suggest that any Singaporeans still in our vicinity run for their lives," wrote Mr Soliven. "That pipsqueak of a country, smaller than Lillimut has for far too long traded on its puny size. . We could smother those sassy pygmies by sheer weight of numbers."

estimated. Perplexed observers, wondering how the hanging of a maid for double murder could have led to the recalling of ambassadors, an organised boycott of goods and the public burning of the Singaporean flag, should not overlook the yawning cultural divide between the Philippines and Singapore.

Since the Contemplacion row started. Manila's columnists have seized on the opportunity to ridicule "Confucian values in Singapore. The city state's pliant media and governmentimposed restrictions on freedom of expression would never be tolerated in the Philippines. say local journalists.

"The average Singaporean has had little news of the execution," writes Amando Dorouila in the Philippine Daily Inquirer. "This siege mentality gives them a sense of permanent crisis which has provided their leaders the excuse and legitimacy to maintain tight political control," he said.

The Philippines' strong resentment at being seen as the main supplier of domestic servants to richer Asian countries is perhaps the most common thread running through the coverage of the Contempla-

By the end of the week Singaporean tempers had cooled in the press at least. The Straits Times produced a second editorial on the affair on Friday. The tone had changed from one of indignation to sadness. "The two countries are Asean allies and close trading partners," said the paper. "Nothing that happened in the course of an association cemented in 1967 suggested even remotely that relations could deteriorate so far so

Kieran Cooke and Edward Luce

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Canada braced for further fish conflict

By Bernard Simon in Toronto

Canada was preparing yesterday to renew its "fish war" against the European Union by acting against Spanish trawlers in a contested area of the north-west Atlantic.

Greenpeace, the environmental group, said that its office in Newfoundland intercepted radio signals indicating that Canadian fisheries officers were trying to board a Spanish vessel in international waters on the so-called Nose of the Grand

Banks, just outside Ottawa's 200-nautical mile jurisdiction.

Mr Brian Tobin, Canada's fisheries minister, said earlier that a patrol vessel was on its way to the area. where up to a dozen Spanish vessels were fishing for turbot, also known as Greenland halibut, in defiance of a 60-day moratorium imposed by Ottawa. The Canadian vessel carries a "warp-cutter" designed to sever the cables holding a trawler's nets.

The renewed tension follow the failure of EU and Canadian officials to agree on new conservation measures for the north Atlantic fishery during two days of talks in Vancouver. Mr Tobin said that "we're looking at the strong possibility this round of discus-

sions have left us without a solution". The flare-up comes less than three weeks after Canada seized the Spanish trawler Estai on the Nose of the Grand Banks. The vessel was released a week later after its owners posted a C\$500,000 (£217,390) bond, A European Commission official said yesterday that another seizure would jeopardise

efforts to resolve the dispute.

The friction stems from a dispute with the EU over quotas for Greenland halibut set by the Northwest Atlantic Fisheries Organisation (Nafo). Ottawa accuses Spanish and, to a lesser extent, Portuguese, vessels of exceeding Nafo quotas and of depleting the fishery by using nets with a smaller mesh than permitted by Nafo standards.

The EU refuses to recognise Canada's jurisdiction over waters outside its 200-mile fishing zone, but several member states have urged Spain to withdraw the vessels while negotiations continue.

Spain has sent a patrol vessel to the Grand Banks to support its trawlers. Greenpeace also has a boat in the

An international fisheries conference, starting at the United Nations in New York today, will examine the legal, scientific and conservation issues raised by "straddling stocks" which move in and out of nations' 200-mile fishing zones.

Bermuda edges * nearer vote on independence

By Canute James in Kingston

Bermuda's legislators have approved the holding of a referendum on independence from Britain, and a vote is expected in July if it is approved by the Senate next month.

The ruling United Bermuda party overcame the objections from dissidents opposed to independence who had earlier said they would not support the referendum. It was approved by a vote of 20 to 18 by the House of Assembly. Despite this, the ruling party is split on the issue of independence and is expected to campaign for a continuation of Bermuda's current status.

"They mainly want a vote against independence and want to get the matter out of the way for a few years," a senior UBP official said yester-

While supporting independence for Bermuda, the opposition Progressive Labour party is protesting at the use of a referendum and wants the matter determined in an election. The PLP is considering a boycott of the referendum, or may tell its supporters to vote "No", said Mr Frederick Wade,

the leader. "It would not be a vote against independence." Mr Wade said. "It would be a vote against deciding by this

The referendum, and the campaign by the parties over the next few months, will increase the anxiety of the banking and financial services sectors, which fear damage to the colony's political and economic stability. Offshore financial services and tourism are the pillars of the economy. A poll carried out last year indicated a significant majority of Bermuda's 60,000 people were in favour of maintaining the status quo, but about 30 per cent suggested the issue be put to a referendum.

Bermuda is the oldest British colony in the Commonwealth and has almost complete self-government under a 1968 constitution. Britain is responsible for defence, internal security and foreign affairs. The UBP has formed the government since 1968. The British government is willing to grant independence to Bermuda if there is a clear indication that the majority of Bermudians want this change, say British

Cuba signs up to 1967 N-arms treaty

By Pascal Fletcher in Havana

Cuba, where the siting of Soviet missiles in 1962 brought the US and the former Soviet Union to the brink of nuclear war, signed at the weekend a regional treaty banning nuclear weapons in Latin America and the Caribbean. Mr Roberto Robaina, Cuba's

foreign minister, added Cuba's signature on Saturday to the 1967 Treaty of Tlatelolco at a ceremony in Havana witnessed by President Fidel Castro and Mr José Angel Guerra, Mexico's foreign minister. Mr Robaina said Cuba's

willingness to be part of the community of Latin American and Caribbean nations. It also reflected the "genuinely peaceful" nature of Cuba's nuclear technology programme, he Other signatories of the Tla-

entry to the pact signalled its

telolco Treaty, such as Brazil and Mexico, had for some time been urging Cuba to join. They argued that Cuban membership would weaken arguments by the US government, which maintains a trade embargo against Cuba, that the island still represented a threat to

ter i. National de la

:5 -

New Orleans seeks to make up lost ground

Bad times may catch the city napping, reports Tony Jackson

ith Mardi Gras gone and the April jazz festival approach festival approaching. New Orleans is counting on a good tourist season. Indeed, with the grand new convention centre open and the world's biggest casino under construction, this most attractive of cities can reckon on a flood of and rather less than Seattle. new visitors for years to come. But the outlook for the

remaining four-fifths of the economy is less certain. Less than a decade ago, the New Orleans region was still in deep depression after the collause of the oil boom, Rapid recovery has replaced all the jobs that Big Oil took away. Come the next downturn, though, the same question will recur: how far has New Orleans used the good times to invest against the bad?

To an extent unusual in the developed world, the New Orleans economy remains a captive of geography. First, of course, comes the Mississippi. Standing as near the river mouth as the surrounding swamps allow, New Orleans, in Louisiana, is the gate to 14,500 miles of inland waterway stretching north to the Great Lakes.

With sister ports stretching up river to Baton Rouge, New Orleans claims to form the world's biggest port system. Nearly 70 per cent of all US grain exports leave from here. Last year 42 per cent of all imported steel came through New Orleans, much of it shipped from Japan and South Korea through the Panama

Name

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Pittsburgh and Indiana. But if the port leads in crude tonnage, value is another matter. Last year, according to the Los Angeles-based CMC-Trade-Week Report, New Orleans had trade of around \$50bn (£30.4bn) a third of that of Los Angeles

Besides being cheap, over 90 per cent of the goods passing through New Orleans are headed for somewhere else. This puts the port at the mercy of events, such as changes in world trade patterns or the 1980s deregulation of the US railroads, which deprived it of a protected hinterland. While the volume of traffic last year was a record, it only made up ground lost over a long decline in the 1970s and early 1980s.

There is a marked contrast with the neighbouring Gulf of Mexico port of Houston, where some 70 per cent of goods traded are produced or consumed locally. Like New Orleans, Houston competes with other US ports such as Los Angeles, Charleston and even New York. But not only is most of its trade captive: Houston also secures the added value of the goods it ships.

What New Orleans needs, evidently, is more industry. In the US as a whole, industry employs almost 20 per cent of the workforce. In the state of Louisiana, the figure is 12 per cent. In the New Orleans region it is 8 per cent.

Not that industry is absent. The stretch of river from New

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canal, then up river as far as Orleans to Baton Rouge, known as "chemical corridor". is one of the biggest centres of petrochemical production in the US. But the plants were built long ago, and are now a meagre source of employment. Even the gas they use as feedstock is piped in from the Gulf of Mexico to their own termi-

nals, bypassing the port. The Gulf was once another big geographical factor in the economy. From the first oil shock of 1973 to the first drop in the oil price in 1982, the region prospered from the early stages of drilling and exploration. But the big oil companies never set up their headquarters there. The boom was bound to be temporary as the region did not stand to profit once the rigs were up and running.

The point is stressed by Dr Tim Ryan, dean of . New Orleans University's business school. "What made the Texan economy?" he

says.
"Oil and natural resources. They took some of those dollars when they had them and parlayed them into investments in education and added value. We haven't yet turned the corner on building resources which don't depend on natural advantages." To address this, government and business in New Orleans have set up an initiative called MetroVision. Its head, Mr Jim Monroe, says attracting industry is only part of the answer.

There may be scope to develop downstream chemical production and earment manufacture (New Orleans boasts the world's biggest tie maker). But Mr Monroe's main targets are less tangible - the information services industry, such as credit card processing or telemarketing, and medical research.

In attracting business, New Orleans faces one serious obstacle: the chicanery of local politics. This does not, perhaps, make it unique. As a New Orleans businessman puts it: "Americans aren't naive enough to believe corruption doesn't exist in New York or Houston. But they believe that in Louisiana it's an art form." That apart, New Orleans has

one final geographical card to play: its position on the northsouth axis in the brave new world of the North American Free Trade Agreement. As New Orleans' mayor, Mr Marc Morial puts it, "Latin America can do for us what the Pacific Rim did for California, Oregon and Washington.'

Even here, there is a sense that New Orleans has lost ground to competing centres such as Miami and Houston. But there is evident determination to strike back.

The port has been working on establishing a rail-barge link with Vera Cruz in Mexico. now postponed by the peso crisis. Perhaps most important. there is a conscious effort to restore banking links weakened by the Latin American



debt crisis of the early 1980s. Mr Michael Conwell, head of international business at Hibernia, New Orleans' biggest bank, asks: "Did we get behind? We sure did. But with share of the pie."

Nafta and Gatt, we're going to have a market of 355m people. Shame on us if we're not there to support our local businesses and make sure they get their

Clinton laments welfare 'rhetoric'

Leaders of both US political ssing last Friday's House of Representatives vote to overhaul the welfare system and looking ahead to another House vote this week on the constitutional amendment to set term limits for members of

Congress.
In his weekend radio address, President Bill Clinton stopped short of explicitly threatening to veto the welfare reform bill. But, noting the rancorous nature of much of the House debate last week, he urged Congress to "turn down the rhetoric" when contemplating wide-ranging social

However, Congressman Dick Armey, the Republican majority leader, was dismissive yesterday of complaints against some of the arguments used by Republicans, including those which compared welfare recipients with protected alligators and wolves. The Democrats, he said, were "very good at feigning moral outrage".

In practice, it would be pre-

mature for the president to bound to wreak changes, but talk about a veto, as the House he predicted the two bills By Jurek Martin in Washington mature for the president to bill is certain to be amended parties spent the weekend substantially in the Senate in the weeks ahead. Also, Mi Clinton's campaign promise in 1992 to "end welfare as we know it" militates against an abrupt rejection of all Republican proposals.

Although the Senate may go along with the replacement of some big welfare programmes, including Aid to Families with Dependent Children, by block grants to the states, it is likely to require the states to continue to spend their own money on welfare, a provision not in the House version. Senator John Chafee, the

Rhode Island, said the House's proposals to turn over nutrition and foster care to the states caused him problems. "Not all governors have the capabilities or dedication to these programmes," he said. Mr Clinton's principal objec-

moderate Republican from

tion was that the House had not imposed tougher work requirements for those now receiving welfare. But he commended the bill's



Gingrich: said deal would have to be made with Clinton

proposals to crack down on those delinquent in child support payments, including the refusal to renew driving Mr Newt Gingrich, Speaker

of the House, conceded on television that the Senate was

he predicted the two bills would be "broadly the same". He added that it would be necuv to "negotiate" with Mi Clinton on the final shape of welfare legislation, if for no himself, no other political figure in America has spent as much time on welfare" as the president.

Mr Armey said he was "still optimistic" that the House would pass a term limits amendment this week, though he acknowledged that Mr Gingrich was "more cautious" on the outcome.

It was. Mr Armey said, "important to have a floor vote", as promised in the Republican Contract with America, along with a debate that he predicted would be the most principled and least par-

tisan" in recent memory. But none of the assorted versions under consideration, involving limits from six to 12 years, appears likely to gain the necessary 290 votes. A two-thirds majority in the Senate is reckoned to be completely out

of reach.

For further information or an early

editorial synopsis please completi

the form below and return it to: Bril Costle, Financial Tim

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June 1995

CORRECTION NOTICE

CHANCERY DIVISION IN THE MATTER OF POLLY PECK INTERNATIONAL PLC (IN ADMINISTRATION)

at which place and respective times all such creditors are requested to attend.

Any creditor entitled to attend the said meetings can obtain copies of the said Scheme of Arrangement, form of proxy Any creditive content to attend the said interior to be furnished pursuant to section 426 Companies Act 1985 from the Administrators of the above-named company of Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL (ref. IPW) and also at the following offices of the international organisation of Coopers & Lybrand; 1301 Avenue of the Americas, New York, New York 10019-6013, USA (ref. PC); 50, Avenue Guiseppo-Mulla, CH-1202, Geneval, Switzerland (ref. DF); Stampfenbachstrasse 73, CH-8006, Zurich, Switzerland (ref. AB) and Bockenheimer Anlage 15, 60322. Frankfurt am Main. Germany (ref. DK); and from the office of the undermentioned solicitors at the

any creditor with a Scheme Claim may appoint another person, whether a creditor or not, as their proxy to attend and vute in their place. A corporate creditor may also appoint a representative under section 375 Companies Act 1985. Forms appointing proxies must be lodged with the Administrators of the said company c/o Coopers & Lybrand. Hilligate House, 26 Old Bailey, London EC4M 7PL (ref. 1PW) not later than 12 noon on Monday 24th April 1995 By the said Order the Court has appointed Christopher John Barlow or failing him Ian Douglas Barker Bond to act as Chairman of the said meetings and has directed the Chairman to report the results thereof to the Court.

Dated this 22nd day of March 1995.

AMMENDMENTS TO PROXY LODGING DATE IN THE HIGH COURT OF JUSTICE NO 001666 OF 1995

IN THE MATTER OF THE COMPANIES ACT, 1985

IN THE MALLER OF THE CONTAINED ACT, 1995

NOTICE IS HEREBY GIVEN that by an Order dated 21st March 1995 the Court has directed separate meetings of (1) the creditors of the above-named company (the "Company") with Scheme Claims (as defined in the Scheme of Arrangement mentioned below) other than those whose claims are derived only from the Company's guarantees of the debts of Polly Peck Finance Plc and (2) the creditors with Scheme Claims whose claims are derived from the Company's guarantees of the debts of Polly Peck Finance Plc, respectively to be convened for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and such creditors and that such meetings will be held at Westminster Central Hall, Storey's Gate, London SWIH 9NH on 26th April 1995 at the respective times mentioned below, namely: (1) At 11.30 am the Meeting of all creditors with Scheme Claims other than those whose claims are derived only

from the Company's guarantees of the debts of Polly Peck Finance Pic:

(2) At 11.35 am or so soon thereafter as the preceding naeting shall have been concluded the Meeting of the creditors with Scheme Claims whose claims are derived from the Company's guarantees of the debts of Polly Peck Finance Pic:

address mentioned below during usual business hours on any day tother than a Saturday. Sunday or public holiday) prior to the day appointed for the said meetings.

The creditors (if not corporations) of the Company with Scheme Claims may vote in person at the said meetings or

The said Scheme of Arrangement will be subject to the subsequent approval of the Court. Solientors for the administrators: Cameron Markby Hewitt, Sceptre Court, 40 Tower Hill, London EC3N 4BB.

University issues bon raise fr issues bonds to raise funds

By Antonia Sharpe and John Authers

The University of Lancaster in north-west England yesterday opened up the UK domestic bond market to the higher education sector when it launched a £35m (\$55.6m) offering of 30year debenture stock.

This was the first issue of listed bonds from a UK university, and it follows unexpected delays to a plan for a group of universities to raise finance using a vehicle company to offer bonds.

Other universities are still likely to follow as continued expansion in student numbers puts pressure on them to borrow for capital projects. Total borrowing requirement for the university sector was estimated at more than fibn in 1993, of which 65 per cent was for student residences.

Professor Kenneth Edwards, chairman of the Committee of Vice chancellors and Principals, said universities were likely to expand further. "This in turn will create a considerable demand for capital. We do realise that we will need to turn to the private finance

However, the pressure for a syndicated bonds scheme has diminished because interest rates have risen in the past year while banks are offering universities much more favourable borrowing terms, the Higher Education Funding Council for England said.

Mr John Avery, head of estate management for the council. said about 12 universities were still considering taking part in the initial launch, which could be joined later by

Mr Rod Lindsay, deputy director of finance at Lancaster, said that by issuing the bonds, the university had fixed its loan commitments for the next 30 years, which it could not have done by any other route. "We can plan ahead with a degree of certainty," he said adding that a further tranche of around £8.5m could

University expansion and the need for institutions to attract management expertise from the private sector appears to be forcing up the salaries of vice-chancellors. The heads of 28 institutions were paid more than £100,000 (\$159,000) in 1993-94, John Authers writes.

A survey published by the Times Higher Education Sup-plement showed that Mr Derek Roberts, provost of University College, London, commanded the highest combined salary and pension contributions, at

He was originally recruited by the college from GBC, the UK industrial conglomerate where he was a director, in one of the first examples of universities looking to the private sector for managers. University College now stands behind only Oxford and Cambridge in government research rankings, and has strengthened its links with industry.

Mr Roberts, who took a pay cut when he left GEC, said there was no comparison with top executives in privatised industries such as water companies. "They are putting their snouts in the trough and justifying it on the grounds that they are now free competitive businesses. I'm not aware I have a choice about where buy my water from." he said.

be issued at a later date. Mr Lindsay said Lancaster had withdrawn from the syndicated programme. "We took the view that it might take too long than if we went ahead on our own." he said.

Formal government guarantees are not needed under the scheme. However, Lancaster needed clearances from the London Stock Exchange where the bonds will be listed, the funding council and the Charity Commissioners. The bonds are also secured on university

Lancaster will pay interest of 9.75 per cent on its bonds, the rate at which it had been capped by the funding council.

Surveys fail to highlight shifts in spending

Headlines about consumers' behaviour mask widespread changes, reports Gillian Tett

British consumers might be feeling gloomy - but the amount of money they spend on restaurants, cinema trips and evening classes is rising.

However, many people are still cutting back on personal grooming bills, since hairdressing ing, laundry and shoe repair spending fell last year.

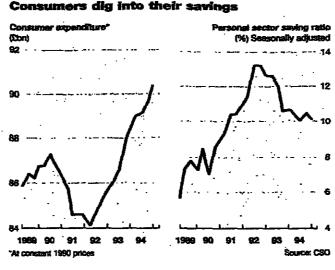
These mixed trends point to a picture of consumer behaviour last year that is rather more complex than surveys of confidence have shown.

For, in spite of the recent morose comments from many retailers, gross domestic product data from the Central Statistical Office shows that consumers did step up their spending in many areas last

Consumers' disposable income rose by 1.2 per cent in 1994 compared with 1993, measured in constant 1990 prices. This level, though low, was slightly higher than previously estimated, largely as a result of the better-than-expected level of job growth. However, actual consumer spending rose by 2.6 per cent over the year, again in 1990 constant prices.

The differing figures reflected the fact that many consumers made up the short-fall in their household budgets by dipping into savings.

Personal savings in the fourth quarter of 1994 repre-



sented a seasonally adjusted 10.3 per cent of the total personal disposable income down from 10.6 per cent in the third quarter. Taken over the year as a whole, the savings ratio was 10.4 per cent in 1994. This was lower than during the recession years - but sharply higher than in the boom years of the late 1980s when the credit boom pushed the savings ratio below 6 per cent. But although these overall

figures appear to indicate that

many consumers are deter-mined to spend, even though overall household budgets are rising only slowly, a breakdown of the data showed that

spending patterns were mixed. Spending on durable goods such as household items rose 8.1 per cent between 1993 and 1994, with the growth spread evenly throughout the year. However spending on nondurable goods such as food and clothes was much patchier, with clothing expenditure rising 5.6 per cent over the year, but food expenditure up only

Meanwhile, spending on services - which account for almost as large a chunk of con-sumers' spending as retail goods - was patchier still. Spending on services in the

last quarter of the year grew by 1.6 per cent compared with the previous quarter - or double the rate of quarterly growth for retail goods. This was largely due to a surge in

national lottery expenditure. national lottery expenditure, which boosted the amount of money spent on betting and gambling by 16 per cent between the third and fourth quarters.

Over the year as a whole. spending on restaurants and hotels grew by 2.6 per cent, while expenditure on domestic services, such as cleaners, grew by more than 8 per cent to reach record levels. The amount of money speni

on running cars also reached record levels after growing almost 6 per cent in the year. This was partly offset by a fall in the amount of money spent on British Rail and taxis, with taxi expenditure 17 per cent lower than during the boom years of the late 1980s.

Expenditure at hairdres fell for the sixth year at a row, along with shoe repairs and laundry services. But spending on educational activities such as evening classes reached a record, while more was spent on visiting the cinema than in

the late 1980s. Total consumer expenditure accounted for about 1.7 percentage points of the 3.9 per cent growth in GDP during the year. Exports and investment each accounted for 0.6 percentage points of the growth, while stock building by companies accounted for 0.5 percentage

Directors warned on 'corporate nepotism'

By Richard Donkin,

The Institute of Manage has called for an end to "cor-porate nepotism", by which company chiefs select friends, or business contacts on other boards, to be non-executive directors.

Mr Roger Young, the institute's director-general, said companies should avoid the corporate back-scratching which characterised some nonexecutive appointments. "We need to end corporate nepotism in the selection of non-ex-ecutive directors. They should be genuinely independent," he

The institute said in evidence to a House of Commons employment committee investigation of executive pay that non-executive directors needed to be "free from any business or other relationship which could materially interfere with the exercise of their independent judgment, apart from their fees and shareholding". It called for greater openness about directors' pay and a breakdown of individual packages in the accounts of companies.



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FT CONFERENCES

MARICETING PROFESSIONAL SERVICES '95
London, 19 & 20 April 1995
The Financial Times and Professional Marketing International bring together a international renowned line-up of experts and leading edge practitioners to provid practical guidence in getting better business through improved shifts and client exercess. The first day is devoted to an interactive point of contact states masterdass, examining the process of carrying marketing contact through to the actual sale. Highlights of the seconday include a debate on the lindings of an exclusive benchmarking survey to establish set practice in client development workholder, reflections from Sir Bryen Carabago in Office of Fair Trading on a decade of deregulation in the professions. The Congret concludes with a dinner and presentation of the prestigious FT/Professional Marketin Awards.

Awards.

THE EUROPEAN WATER INDUSTRY
London, 24 & 25 April 1995

At a time when many UK and EC companies are seeking opportunities in fresh members, the sixth conference in the Financial Times Water industry sense will also consider the oost challenge of meeting EC quality yeardsticks and the increasing need to put figures on environmental costs. Spaniers include let lan C R Byast, Olwer, Mr Nicholas Hood CBE. Wessex Water Pic; Mr Tim Yeo MP, Former Minister for the Environment and Countryside, UK: Mr D Grant Lawrence, European Commissions Mr Antônio M Tavelra, INDAOUA, and, Former Scretary of State for Natural Resources, Portugal: Mr Chris Meitor, Anglian Water Pic; Dr John Srady, Northumbran Water Group Pic; Dr Johan Bastin, EBRD; Mr James F Martin, International Finance Corporation: Mr Nichotas S Parker, Coopen & Lybrand; Mr Dawd Kinnersley, author of Coming Clean, The Politics of Water and the Environment"; Ms Bronven Maddon, Financial Times; Mr Christian Gregoire, Banque Nationale de Parls; Dr Dieter Helm, OXERA; Dr John W Sawidns, University of Aberdeen and Mr Paul E Whelen, Pannel Kerr Forster.

FT-CITY COURSE London, 24 April-12 June

This course provides those working in the City or serving the tinancial world with a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent francial and trading control.

SOUTH AFRICA - A NEW ERA FOR BUSINESS, FINANCE AND INVESTMENT

INVESTMENT
Cape Town, 2 & 3 May 1995
This major FT conference will review the policies and programmes of the government of national unity as it enters its second year of office and assess business, finance and rivestment prospects. Speakers include: Mr Alec Erwin MP, Deputy Minister of Trance: Mr Jay Nation, Minister of Trance without Portfolio in the Office of the President; Mr Travor Manuel MP, Minister of Trade and Industry: Miss Stella Sigcau MP, Minister for Public Enterpress; Mr Euen Macodonald, Vice Chairman, SG Wasburg & Co; Dr Anton Moolman, Managing Director, Transnet Lot, Mr Vusi Khanyila, Menaging Director, Thebe Investment Corp; Ms Martanne Hay, Executive Director Morgan Stenley Asset Management and Mr Budolf Gouws, Economist. Rend Merchant Benju.

ASIAN ELECTRICITY
Hong Kong, 22 & 23 May 1995
The lourb FI/Power in Asia meeting will focus on electricity restructuring policies and programmes in the Asia-Pacific region, review developments in China's power sector and examine the growth of IPPs in Asia. Speakers include: Mr Guido Delgado, National Power Corporation: Or Physitysetti Armanand, National Energy Policy Council, Thaland, Mr Barrie Laoy, Electricity Supply Association of New Zestantic, Mr Philip Tosa, Paregine Investments Holdings; Dato' Francis YeohSock Ping, YTL and Mr John Burnham.

Schroders.

THE CZECH REPUBLIC: BEYOND PRIVATISATION - NEW BUSINESS CHALLENGES AND OPPORTUNITIES
Prague, 6 & 7 June 1995
As the second wave of the mass privatisation nears completion and with convertibility of the Koruna new firmly on the legislative agenda, this Financial Times configence, arranged in association with the Bohamiss Fountation, will provide an opportunity to examine the broader implications of these developments for the Czech economy for foreign investment. Utilities privatisation, to include the opportunities emerging from the forthcoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring of the energy sector will also be discussed. Speakers include Drivatoming restructuring the formation of the energy sector will be described and the continuous properties of the energy sector will be described and the continuous properties of the energy sector will be described and the continuous properties of the energy sector will be described and the continuous properties of the energy sector will be described and the continuous properties of the energy sector will be described and the continuous properties of the energy sector will be described and the continuous properties of the energy sector properties of the energy sector properties of the energy sector properti

Wood & Co Securities, s.r.o. and Mr Daniel J Arbees, White & Case.

TRANSPORT IN EUROPE: TOWARDS 2020

London, 8 & 9 June 1995
One of the few transport conferences that looks at the sector as a whole, this highly one of the few transport conferences that looks at the sector as a whole, this highly regarded annual event tocuses this year on the future for risk in general, Britain's regarded annual event tocuses this year on the future for risk in general, Britain's phoneening rall privatisation process in particular, and on the efforts being made to receive traffic problems, and the part transport (and transport infrastructure) plays in the developing tensions between economic growth and preservational the environment. A distinguished panel of international speakers includes Mr Nell Kinnock, European Commissioner for Transport.

Commissioner for Transport.

TELECOMMUNECATIONS IN ASIA-PACIFIC

Hong Kong, 15 & 16 June 1995

Hong Kong, 15 & 16 June 1995

Issues to be addressed at the second conference in this series on the dynamic AsiaIssues to be addressed at the second conference in this series on the dynamic AsiaIssues to be addressed at the second conference in this series on the dynamic AsiaIssues to be addressed at the second conference in this series on the dynamic AsiaIssues to be addressed at the second conference in this series on the dynamic AsiaIssues to be addressed at the second conference in this series on the region;
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WORLD GOLD CONFERENCE

WORLD GOLD CONFERENCE:
Lugano, 19 & 20 June 1995
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All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK.

NEWS: UK

Government of republic fears that deadlock may destroy momentum for peace

Irish PM to meet Sinn Féin on arms

By John Murray Brown in Dublin and John Mason in London

Sinn Fein, the political wing of the Irish Republican Army, is to meet Mr John Bruton, prime minister of the Republic of Ireland, tomorrow in an effort to break the deadlock over IRA arms which appears to be proving a stumbling block in the Northern Ireland peace pro-

With the British government still refusing to enter direct talks with Sinn Fein until given further assurances on the IRA's large arsenal, the government of the republic is concerned that the momentum for neare could be lost At tomorrow's meeting.

called at Sinn Féin's request, Mr Bruton and Mr Dick Spring, foreign minister, will meet Mr Gerry Adams, the Sinn Féin president, to discuss what nationalists described as the "latest hiccough in the peace talks".

However, Dublin is expected to use tomorrow's meeting to help find a formula acceptable

raised after he had met the to both sides on arms decomleaders of parties linked to the missioning, in an effort to loyalist paramilitaries for the break the talks impasse. Sinn first time last week. Fein is maintaining its insis-Officials in Dublin are keen tence that the British discuss to play down any impression of arms in the broader context of total demilitarisation including impending crisis, describing illegal arms of all paramilitary

the meeting as "part of ongoing contacts." Mr Bruton organisations and the arsenals and Mr Adams met briefly in of the local police and British the US during the St Patrick's Mr Martin McGuinness, the day festivities 10 days Sinn Féin vice-president, yesterday accused the British gov-Mr Bruton suggested last ernment of stalling the peace week that the paramilitaries process over the demilitarisacould make a move on arms as tion issue. He said on BBC TV a goodwill gesture. But few that international pressure politicians in Dublin expect would force Britain to modify real progress on arms before

> and policing. The British response until now has been to move unilaterally on the sensitive question of army deployment, withdrawing the first soldiers from the province and then announcing on Friday that routine patrols in support of the police would be ended in all but a few mili-

tant border areas.

talks, with Sinn Féin intent on

using the weapons issue as a

bargaining tool to extract con-

cessions on terrorist prisoners

Sinu Féin's vice-president Martin McGuinness yesterday accused the British government of stalling the Ulster peace process

Minister says Major may face challenge

By John Mason

Mr John Major may face a challenge from inside his own Conservative party this year to his position as prime minister, a senior minister in his cabinet admitted yesterday.

Mr Malcolm Rifkind, the defence secretary and a loyal supporter of the prime minister, agreed that a Tory backbencher might mount a challenge to Mr Major's party leadership, but insisted that such a bid would have little political impact.

His comments came as senior ministers rallied round Mr Major amid increasing speculation that a challenge was being planned, possibly as a precursor to a more substantial bid for the party leadership by Mr Michael Heseltine, the trade and industry secretary.

The opposition Labour party yesterday lannched a further attack on the government's track record on taxation, claiming that mea-sures in its last national Budget would push the number of people paying income tax up to record levels next year, John Mason writes.

Cuts in the married couple's allowance and the freezing of personal allowances were responsible for an additional 500,000 people who are estimated to start paying income tax in 1995-96, said Mr Andrew Smith, one of the Labour party's senior Treasury spokes However, the government insisted that the

Mr Rifkind's comments also followed an outspoken attack on the BBC by Mr Jonathan Aitken, chief secretary to the Treasury, who accused some of its interviewers of party political bias. That was seized on by Labour as a sign of panic among ministers.

its position. He also believed

that talks with British minister

Mr Michael Ancram would go

agreement over "demilitarisa-

"I think there is a great

expectation now that a meet-

ing with Sinn Féin and British government ministers will take

place some time next week,"

Expectations that Mr

Ancram would join exploratory

talks with Sinn Féin were

he said.

ahead despite continuing dis-

Mr Aitken's weekend accusation that the corporation had get some foolish individual

economic recovery. In a parliamentary answer to Mr Smith. Sir George Young, a junior minister at the Treasury, disclosed that the number of people pay-

ing income tax is expected to rise from 25.7m in 1994-5 to 26.2m in 1995-96. Sir George said the rise was due largely to economic growth and an increase in the number of people in work.

rise in those paying tax was due to Britain's

The size of the UK workforce had grown by

174,000 between December 1993 and December become the "Blair Broadcast-

backbencher who will put himself up as what is known nowadays as a stalking horse, but I don't think it will be significant." The defence secretary dismissed speculation of a serious leadership challenge as bunkum". But he conceded that the government's popularity had suffered from the

appearance of "disunity and

Mr David Hunt, the cabinet minister recently appointed to head the committee overseeing policy co-ordination and presentation, also sought to calm Conservative party nerves by discounting the possibility of a serious leadership challenge. "It is completely hypothetical and it is not going to happen," he told BBC television.

Mr Hunt maintained the prime minister was setting a "winnable agenda", but warned that the government could win the next election only if its presentation became much more effective".

Mr Major's position was strengthened by a Mori poll for The Sunday Times which indicated that the government's popularity would improve only marginally if Mr Heseltine top-

Gooda -Names in new court battle

By Ralph Atkins, Insurance Correspondent

Gooda Walker Names, among the worst-hit members of Lloyd's of London, will today begin a fresh court battle when they seek to head off an attempt to curb the level of damages to which they are entitled.

The Gooda Walker Action Group is expected to tell the Righ Court in London, which is due to set the final level of damages owing to the group's members, that they are entitled to more than £450m (\$711m) for losses incurred in the late 1980s and in 1990.

Lawyers for Lloyd's agents' insurers are expected to argue the level of damages should be far lower. They suggest Gooda Walker Names should get ittle or no more than the £210m interim payment they were awarded last month. Names are individuals whose assets have traditionally supported the insurance market.

When the High Court ruled in October that the Gooda Walker names were entitled to damages, the action group hailed it as a victory. The court said the losses resulted from 'culpable' and 'unjustified' risks taken by the now-defunct Gooda Walker agency. The 3,000 members of the Gooda Walker action group lost heavily through natural catastrophes in the late 1980s.

Since the October judgment, the action group has faced an uphill struggle to receive any money. Even if they obtain a clear ruling on damages this week, payment is expected to be delayed pending another court hearing in late April on the principles on which damages are paid out of errorsand-omissions insurance cover bought by the Lloyd's agencles being sued by Names.

There is also a dispute about the level of funds available. The errors-and-omissions insurers have argued that only £115m is available to meet the interim award. At the same time, the complexity of this week's case may mean the issues at stake are not resolved in the five days allocated by the High Court. The insurers' lawyers are expected to challenge the Gooda Walker Action Group's figures on their estimates of the extent of the names' future liabilities resulting from losses in the Lloyd's insurance market.

also be disputed. A new tax relief expected to be introduced by the government to encourage insurance companies to build reserves for catastrophe losses should be extended to Lloyd's corporate investors, according to Mr Michael Wade, chief executive of CLM Insurance Fund, which specialises in corporate investment at the insurance market.

Exchange members to face fines

By Norma Cohen, Investments Correspondent

The London Stock Exchange has decided to try to impose fines on marketmaking members found to be distributing valuable and exclusive information to non-marketmakers from their inter-dealer broker

The information is valuable because the screens quote better prices for share trades between dealers than the exchange's "Seaq" screens do to investors.

The exchange's executive committee considered, but rejected, a proposal from its staff that it abandon a rule which gives its biggest member firms exclusive access to share prices anoted on the inter-dealer broker (IDB)

The decision comes on the heels of a study by the Office of Fair Trading which con-cluded that limiting access to the screens, through which marketmakers can deal anony-mously with each other, has "significantly anti-competi-

Institutional investors who know that a better price is being quoted on the IDB screens can often persuade marketmakers to buy or sell at a price inside the "touch" – the best price at which shares are being bought or sold at any time.

The exchange's market supervision department had reported that there was "anecdotal evidence" that some marketmakers with access to the screens were conveying the prices to their clients.

Because the rule was being so widely broken, the department urged that the rule be abandoned

As an alternative, it recommended rooting out and punishing wrongdoers.

Communication of IDB screen prices is believed to be a significant factor in explaining why a majority of Stock Exchange bargains as measured by value are conducted inside the touch.

Marketmakers expressed scepticism that fines and penalties could be made to stick, noting that as a practical matter, catching those who violated the rules required monitoring the telephone conversations of staff at 26

Treasury infighting over resources

By Robert Chote,

senior directors are haggling over staff and resources in the Michael Portillo when he was so, where and how many. The latest phase of what has management restructuring in Whitehall's most powerful department.

The Treasury's management board met last week to try to make progress on agreeing the share-out of resources for each of its seven "directorates". Initial bids had been submitted earlier, coinciding with the department's internal budget

into assessing job requirements. directorates followed the "fundamental expenditure discussions will determine The UK Treasury's seven review" into the department's

ing Corporation" prompted Mr

John Prescott, the opposition

Labour party's deputy leader.

to claim that the attack was an

indication of a possible early general election. Mr Tony Blair

is leader of the Labour party.

Mr Rifkind told BBC radio:

"It is always possible you will

macroeconomic policy, international finance, the Budget, public spending. financial reporting, financial regulation and personnel. The Treasury restructuring

comes as civil servants throughout Whitehall fear that senior jobs at other departments could be cut. Senior management reviews in other departments are stress on some junior officials.

chemicals, matches, wine, cof-

annual turnover of about

Mr Andrea Bonomi is seek-

financial operations by devel-

oping 21 Invest in collaboration

with the Benettons as a ven-

ture capital group aimed at ini-

tiating and implementing man-

agement buy-outs and buy-ins

in Europe. The Benetton interest is rep-

resented by Mr Alessandro

Benetton, of a similar age and

background to Andrea Bonomi.

Both have been educated in

business administration in the

US, and both have had spells

learning the ropes at leading

investment banks, Mr Benet-

ton at Goldman Sachs in Lon-

don, Mr Bonomi at Lazard

The outcome of the Treasury whether the jobs of any junior chief secretary to the Treasury. reorganisation has already Treasury's 100 senior posts abolished, all of which were achieved by voluntary redundancy. Final decisions on redundancies in the lower

rungs of the hierarchy are due to be announced late next month. But there is concern that abolition of senior Treasury posts has already put too much

further job losses at the bottom of the organisation. Morale at the department is also being depressed by uncertainty among junior

This may limit the extent of

officials about job security. the management board to announce any decisions quickly.

The Treasury's revamped structure will formally take effect on April L

The seven directors and 15 assistant directors are now all in place, with a series of appointments at the next "team leader" level being announced last week.

Latest Rover will be sister of Honda

By Kevin Done Motor Industry Correspondent

Rover Group, the UK subsidiary of BMW of Germany, yesterday unveiled its new 400 series of family cars which will become its most important volume vehicles for the second half of the

The Rover 400 series, which will go on sale in May, are the sister cars of the Honda Civic, which started production at the Japanese carmaker's UK plant late last year.

duction volume, said that about £150m

Rover, which emerged last year as the biggest UK vehicle maker by pro-

(\$237m) had been invested in the development of the 400 series, which will be sold first as a five-door hatchback priced from £12,000 to £16,000. A fourdoor saloon will follow early next year.

It will be produced under licence from Honda at Rover's main assembly plant in Birmingham, where £60m has been invested in plant and equipment.

About 700 jobs have been created at the plant in preparation for the launch of the 400 series. The additional posts are part of 1,450 new jobs announced by Rover last autumn. The group hopes to raise output for

the new 400-series to about 250,000 cars

a year from the 200,000 achieved for the current Rover 200/400 and its sister car the Honda Concerto, which has also been assembled in Birmingham.

The launch of the Rover 400 series marks a significant step in reducing the group's dependence on Honda, as virtually all versions of the car will use Rover's engines including a new 1.6 litre version of its successful K-series family of engines. Honda engines will power only the automatic version of the new Rover 400.

Honda aims to sell about 60,000 of its UK-built Civics in Europe this year while output of the Rover 400 range is

full volume as the UK carmaker seeks to expand its presence in mainland Europe.

The Japanese group says the the degree of commonality between the Honda and Rover ranges will be about 70 per cent for the bulk of Rover's output, which will use the K-Series engines. But this will rise to more than 90 per cent for the versions using Honda's automatic transmission and 1.6 litre engine.

Rover has been licensed to produce the five and four-door versions of the new range until the end of the year 2000, but an extension could be negoti-

forecast to reach about 250,000 a year at ated according to Honda. Troubled Lotus set to don new colours

Kevin Done looks at the Italian families interested

Group Lotus, the UK sports car maker which is due to pass into the hands of new Italian suitors, has had a chequered ownership history since the death in 1982 of Colin Chap-

man, its founder. Its name has continued to exercise an irresistible attraction in spite of the financial problems facing Bugatti Autonobili, the current owner.

The latest interest has come from two of Italy's wealthiest industrial families, the Bonomis and the Benettons.

They are partners in 21 Invest, a joint venture company formed last year in the UK by the investment houses of the Benetton (21 Investimenti) and Bonomi (Invest Group) families.

Mr Andrea Bonomi, the managing director of 21 Invest, has celebrated his 30th birthday this weekend finalising the negotiations for the Group

Lotus takeover. The Bonomi group has had wide-ranging interests in industry and property, but today its main activity is control of Saffa, an Italian group Freres in New York and Kleinwith operations in cardboard,

in acquiring an irresistibly famous sports carmaker Both also have an eye for

fee trading and real estate, and Sarrio, a Spanish producer of Since 1988, Mr Alessandro cartonboard. The group, which is controlled by Mr Carlo Bon-Benetton has been president of the Benetton Formula One racomi, Andrea's father, claims an ing team. The Benetton group aiready has a 50 per cent holding in the TWR group led by Mr Tom Walkinshaw, the UK ing to expand the group's entrepreneur whose interests straddle motor racing - he is technical director at Benetton Formula One - and mainstream automotive engineering and development.

21 Invest insisted yesterday that, if the takeover goes ahead as planned, Group Lotus and TWR will be kept separate and will compete with each other. According to Mr Bonomi, heads of agreement for the takeover of Group Lotus have been signed with Bugatti, and the deal could be completed later this week.

Lotus would benefit from some stability of ownership. the most creative and success-

ful designers of racing cars in the history of motor racing . his cars won six drivers' and seven constructors' world championships in the 1960s and 1970s - but Group Lotus struggled to survive financially both before and after his death

in 1982. Ownership from 1986 by General Motors of the US, the world's biggest vehicle maker, proved no more secure. Lotus plunged to a pre-tax loss of £36.6m in 1992 on a turnover of only £60.98m.

Group Lotus suffered its big-gest set-back in 1992, when it was forced by rapidly mounting losses to cease production of the Elan sports car less than two-and-a-half years after launch. The Elan became one of the shortest-lived new cars on the world market and cost Lotus a write-off of £24.4m.

In the wake of the Elan debacle. Group Lotus was restruc-Colin Chapman was one of tured and much reduced in

posal by GM. Car output fell to 320 in 1993 from 2,241 in 1991. The workforce was cut from 1,717 in 1990 to about 700.

21 Invest says that the business has been turned round to achieve "a good level of profit-ability" in the last 18 months, and it has remained largely insulated from the financial

problems afflicting Bugatti. The core of Lotus' operations is automotive engineering consultancy rather than sports car production, and Mr Adrian Palmer, Lotus managing director, maintains that the planned change of ownership has "the

full support of our clients". Lotus has its own new product development programme and is planning to launch a new lightweight affordable sports car next year in the mould of the old Lotus 7 to add to its current range of Esprit

luxury sports cars. When GM was seeking a buyer for Lotus, Mr Palmer sought unsuccessfully to mount a management buy-out. Belatedly that aim may now be achieved through the intervention of the Bonomis and the



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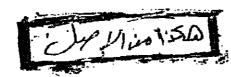
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FINANCIAL TIMES MONDAY MARCH 27 1995 *

NEWS: UK

Polly Peck creditors offered interim payment

Accountancy Correspondent

politic

Administrators to Polly Peck International, part of the collapsed business empire of Asil Nadir, have offered creditors an interim payment

of 1.75p in the pound.

The payment is the first to up to 1,700 creditors hit by the collapse of PPI in 1990 with debts of up to 11.3bn. Mr Nadir fled the UK in 1993 for his native northern Cyprus.

If the creditors accept the offer it will mark the first distribution of funds since the collapse. Subsequent

payments are possible up to a further 2.6p in the pound. Mr Chris Barlow, lead administra-

tor to PPI and a partner with Coopers & Lybrand, said: "I am delighted to say that, if approved, this scheme will allow us top make a distribution to creditors which will be at the upper end of the range we indicated in our 1994 report to creditors."

Peck Group assets have reached £465m (\$734m). Not all such realisations flow to PPI as parts of the group are ring-fenced for other creditors. The administrators estimate a

So far total realisations of Polly

"black hole" of missing funds in PPI of £500m. When Nadir fled the UK he faced charges of false accounting and

theft involving £34m.

The offer is being made to 1,200 ordinary creditors and between 1,000 and 5,000 bond holders. A letter has been sent to 23,000 shareholders tell-ing them they are excluded from the scheme by law in respect to a declared, but unpaid, dividend.

The first distribution estimate of 1.75p is based on claims at October 1996. If the offer is accepted by the creditors, and cleared by the courts, the payment will be based on claims at the date the scheme commences. The creditors meeting has been called for April 26 at Westminster Central Hall in London. The payment of the interim dividend is planned for early July. The announcement of the planned distribution followed the sale last week of PPI assets in northern Cyprus to new owners for an undisclosed sum. That sale will eventually contribute to the assets available for distribution, but is not expected to

make a significant difference to the The distribution to creditors is being made under a proposed scheme

administration of PPI to continue while payments are made and avoids

moving the group into liquidation.

As a result the administrators will be able to continue in efforts to sell remaining PPI assets around the world. These include companies in Turkey, the Far East and Uruguay. Funds available for distribution to creditors may also be swelled by the proceeds of legal actions launched over the collapse of the Polly Peck empire. So far the costs of the administration of PPI, including legal actions, have reached £34.8m.

UK NEWS DIGEST

Cross-Channel pipeline 'may be underused'

The UK's proposed £440m (\$695m) cross-Channel gas pipeline is unlikely ever to be used at its full capacity, according to a leading oil and gas consultancy. Wood Mackenzie Consultants, part of NatWest Group, says in a report that the potential market in Europe for UK gas exports is well below the pipeline's capacity of 20bn cu metres a year.

The report says that the supply gap in the year 2000 is likely to be only 1bn cu m, rising to a maximum of 16bn cu m in 2006, although the gap might be 4bn cu m that year only if existing contracts are rolled over or increased. The government approved the pipeline in December. It will link the East Anglian coast with Zeebrugge in Belgium and tap into the gas pipeline network in mainland Europe. Due for completion in 1998, the line is seen as an important potential channel for gas

exports and, after UK gas runs out, for imports from Russia. Wood Mackenzie sees further difficulties in developing sales of UK gas through the pipeline. The consultants do not believe that UK gas could compete on price, and even if it could, there are physical and regulatory obstacles to penetrating the mainland European market. The pipeline could, however, encourage a spot market in gas and lead to sales of small parcels of UK gas in Europe.

David Lascelles, Resources Editor

Tractor output to rise

Massey Ferguson Tractors is preparing to start production at its Coventry plant of a new range of machinery of up to 105 horsepower. Mr Aaron Jones, director of operations, said the final decision on whether to invest about £15m (\$23.7) in new production facilities would be made in the next two months.

This would be the first significant investment at the Coventry plant by Agco, the Atlanta-based farm machinery group, which last June completed the purchase of Massey Ferguson from Varity Corporation of Buffalo for \$330m (£214.5m). The decision will be made against the background of sustained demand for new tractors. Massey Ferguson's production this year will be 50 per cent higher than in 1992. Paul Cheeseright, Midlands Correspondent

Bank predicts rates increase

UK interest rates will rise in the next two months, but the government may be forced to provide relief for the housing market, says the latest forecast from National Westminster Bank. Mr David Kern, chief economist, says special measures are necessary to reconcile the need for higher rates on general macroeconomic grounds, with the risk that this will damage weak sectors of the economy.

Mr Kern says: "The potential conflict ... can best be resolved in the short term by specific support which is particularly badly needed in the housing market." Figures released last week showed that mortgage lending in February fell compared with the same month last year. This was the latest in a series of indicators confirming housing market weakness. Philip Gawith, Economics Staff

Minister boosts broadcasting

Britain's National Heritage secretary Mr Stephen Dorrell will this week spell out the details of his plan to create a broadcasting sponsorship unit designed to increase the interna-tional competitiveness of Britain's broadcasting industry. The new National Heritage Unit, which will include people sec-onded from traditional broadcasting and the independent production sector, will be taking on a role previously carried out by the Department of Trade and Industry.

For years there have been tension and disputes between the Home Office - and later the Department of National Heritage - which had regulatory responsibility over the media and the Department of Trade and Industry, which had the industrial promotion role as well as radio frequency regulation. By uniting both regulation and sponsorship within National Heritagus and the department. tage Mr Dorrell appears to have strengthened the department in this respect against Mr Michael Heseltine's DTL Mr Dorrell's action also seems to have put an end to any lingering suggestion that one day the DTI should take over responsibil-

ity for broadcasting.

Newspaper Publishing, the company that owns both The Independent and the Independent on Sunday, is looking this week for an editor of the Sunday newspaper after the resignation of Mr Ian Jack.

Mr Jack's tenure as editor of the Independent on Sunday started in 1991 and is widely regarded as a success even though the paper's circulation of about 420,000 has never matched its critical reputation. The main reason for the resignation of Mr Jack, who is becoming the editor of Granta, the literary magazine, is disenchantment with the management approach of the Mirror Group. Raymond Snoddy

Hunt saboteurs arrested: At least 10 hunt saboteurs were arrested when more than 200 demonstrators clashed with police and supporters of the Garth and South Berkshire Hunt in southern England. Police had been tipped off about the demonstration and arrived in force to prevent violence between hunt supporters and saboteurs, some of whom wore balaciava hoods and wielded sticks.

Bomb evacuation: About 4,000 people are to quit their home for up to 48 hours after the discovery of an unexploded German bomb under an old football pitch. The residents of Portland Bill on the coast of south-west England all live within a 2,000-metre police exclusion zone set up after the half-tonne bomb was exposed by a bulldozer. "It is the largest evacuation in this area since the war," said a police spokes-

Phonecard riches: Phonecard collecting is one of the world's fastest growing hobbies, says the latest Miller's Collectables guide. "There is now an international market for phonecards - guide." prices vary depending on the card's rarity and condition," said Miller's, best known for its guides to the antiques market. A card is best by British Telecommunications to commemorate the 1987 Open Golf Championship at Muirfield could now be worth £1.000 (\$1,590) says the guide.

<u>ئ</u>.

Thick fries preferred: British consumers still prefer their traditional thick French fried potatoes to Thin American-style traditional thick Prench fried potatoes to Thin American-style traditional thick French fries and a place of fries known in Delegation says two-thirds of Britons eat a plate of fries, known in Britain as chips, at least once a week. (Potato chips are called crisps

Decline of a dynastic business

Few of the banks which were unwise enough to lend to developers at the height of the 1980s property boom were lucky enough to recoup all their money in the subsequent

Thus lenders to Union International, one of the main companies in tyhe empire controlled by the Vestey family, should be delighted. THe family, whose interests in the international meat trade go back more than 100 years, is one of Britain's best known business dynasties.

So far the lenders have got back all but £50m (\$79m) of the £430m they lent to the wayward group without losing a penny of interest.

So, if the wind-up of Union under the care of the banks had been a textbook exercise to date, why did the banks suddenly pull the plug last Wednesday and put Union, including J.H. Dewhurst, the largest UK chain of butcher's shops, into receivership?

"I believe it is a great tragedy that the thing has not been wound up satisfactorily," said one adviser. Some advisers said the quick decision of the Lloyds-led bank consortium to appoint receivers might prove to be a mistake in the long run. Less money might be raised by Ernst & Young, the receivers, than by Union's bankappointed managers if they had been allowed to complete their task. If that is the case, one losing party could be the 8,000 holders of the cumulative preference shares. Union contained a wide

range of the Vestey family assets, from ranches in South

Roderick Oram explains why the rescue of a central part of the Vestey family's empire has failed

processors and trading Laid low companies. by weak family management and property speculation, it fell into the hands of its bankers in

Schroders, advising the Vesteys, recruited Mr Terry Robin-son from Lonrho to tackle Union's problems. The family and banks approved his appointment and a "highly incentivised" remuneration package. The more money he recouped, the more he was to

be paid "The beginning of the repayment exercise went extremely well," said Sir John Collins, chief executive of Vestey Group. A former chairman and chief executive of Shell UK, the Vestevs appointed him in 1993 to run most of the non-Union parts of the Vestey businesses. "The last furlong is the one

that's proved difficult and less successful and not completed in the time allotted," he said. Mr Robinson got off to a quick start, but then a series of setbacks hit his disposal programme. Most crucially, poor stockmarket conditions in Australia prevented the flotation of Angliss Pacific, a food distributor. Other problems included receivership at a New Zealand company.

The banks had agreed to a three-year debt standstill to December 1994. But, as the setbacks mounted last summer,

America and Australia to meat they became "nervous that time was running out", according to one adviser. A number of banks said they would not extend the standstill.

> The key issue became how to sell Angliss Pacific and other assets, such as 14 ranches in Venezuela, totalling 1,300 sq miles. NM Rothschild was appointed by Union to find

> But before its marketing exercise was complete, the banks seized on an offer from the Vestey Group to buy these and other assets for £100m.

> The only other potential bidder was a management buy-out proposed by Mr Robinson himself and some colleagues. With two members of the board involved in the Vestey Group bid and two with the mbo, Rothschild was given the Solomon role of deciding which offer to put to shareholders.

> The Vestey offer was appraised by Coopers & Lybrand for the bank consortium and Rothschild for Union, while S.G. Warburg advised Vestey Group.

All parties considered it fair so it was put to a Union EGM on November 18. The Vesteys, with all ordinary shares and one third of preference, held about 90 per cent of combined voting power. The EGM approved the sale.

The cash value of the transaction to the Union creditors

Mr Barrie Leay

Electricity Supply Association of

Chairman and Managing Director

Executive Director

Mr R V Shahi

New Zealand

BSES Ltd

was some £58m. An additional sum of up to £24m could be paid by Vestey Group, depend-ing on profits over the next 25 years on property development on a Venezuelan farm.

The assets bought represent a sizeable chunk of Vestey Group's net assets, which total between £500m and £700m. The group, involving shipping, financial services and other interests, last year made an operating profit of about £35m on turnover of £500m.

This year, Mr Robinson's problem has been to sell the rump of Union. With the standstill agreement informally rolled over to June, banks began to get nervous again about the lack of further sales.

This week they suggested calling in a receiver at Dewhurst, rather than supply it with "a few million more pounds", one lender said. But that action jeopardised trade credit for other Union businesses and so the only option was to put all of Union into receivership.

Several people close to Union and its banks expressed doubt last week that the receivers could raise enough from selling the remaining assets to cover the last £50m of debt. There is likely to be nothing for preference shareholders.

Although the Vesteys are left with some choice assets, they have paid a high price for years of incompetence. In the 1990s they have injected some £145m into Union, which has been lost. Moreover, their original shareholder value in Union, a once mighty company, has evaporated

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Carbriore Shared Eq Tst 2.4p
GATX \$0.40
GEC 2.95p
Glymwed Inti 10%% Un Ln '94/89 £5.375
Govett Strategic Inv Tst 11½% Db '14
£5.75

Greenalis 8% 4p Greenhavan Sec 71/4% Un LN 191/96 Green Property IP3p Greycoat 9.5% Bd '03 £475.0 Haco 10%% Db '17 £5.3125 Halma 11% 5.5p

Hampton Tst 10%% Dt '25 25.25 Hesternere Ests 10%% Dio 198/03 C5.125 Hewetson 0.75p Hill & Smith 14% Dio 2009/03 E7.0 His & Shiff 190 D 2007 S 21.0 Homer Fin (No 1) FRN '28 €17.31 Do Class B FRN '28 €215.81 Do (No 3) Class A1 FRN '36 €176.06 Do Class A2 FRN '36 €174.62 Do Class A3 FRN '36 €174.64 Do Mesz FFN '36 £186.97 Housing Fin 5% Db '27 £2.50 Do 7% Db '09 £3.50 Do Ser 2 £3.50 Hoyle (J) 5% 1.75p lines Eng Prod 11% Db '96/01 £5.50 Investment 6% 1.05p Investors Cap Tst 7%% Db '92/97 £3.625 Insh Conti 1R2.4p Irish Conti IR2.4p Ivory & Sime Ent Cap Un Lin 2000 22.0,Johnson & F Brown 11.05% 5.525p Johnson 10% 5p Jones, Shoud 10% Pf 5p Jupiter Inti Green Inv Tst 1.3p Do Units 1 9p Kingsley & Forster 2.86% 1.925p Kingsley & Forster 2.86% 1.925p Lond Sim GUM, Th 90108 (2) 178 Land Sec 65% Db '93/98 C3 125 Da 9% Db '96/01 £4.50 Do 10% Db 25 25 Do 10% Db 27 25 Do 10% Db 27 25 Do 6%% Un Ln 92/97 23.4375 Do 7% Bd '08 235 Leigh Interests 6% 3p Libite Intl Bd '04 \$225.69 London Cremation 1096 3.5p Lon Merchant Sec 10% Db '18 55 London 10% Db '97/02 55.125

Mansfield Brewery 11:29, Db '10 05.75 Massion, Thompson & E 7% Un Ln '93/98 McCarthy & S 7% Un Ln '99/04 £3 50

Lookers 8% 4p Majedie inv Db '20 £5.4918

Tate 8 Lyle 61-% 2.275p Co 8% Un Ln 103/08 24.0 Do 1014% Un Ln 103/08 25.375 Db 108 26.30 NHL (3) Set FRN 136 £137.56 Do Class A2 FRN 136 £174.64 Do 10%% Un Ln 103/08 55.375 Telekom Malay Bhd 4% Bd 104 \$98 53 Temple Bar Inv Tst 9.250 THFC (Indexed) 5.5% IL 70 53.3509 Three Validys Water 4% 52 Three Validys Water 4% 52 Do Mezz FRN '36 £188.97 NHL (1) Sec FRN '25 199.66 Nessan Motor 574% BC '98 \$143.75 Threades (DI \$% let Cm Pt 17.5p Tops Estates 71% Un Ln 20 23.75 Tor Inv Tst 43.% 1.6625p Do 6% 8d '96 £30.0 North Devon Water Board 4% '96 52.0 Northern Telecom \$0.09
Northern Telecom \$0.09 Do 64 2.1p Trafford Park Ests 1134 Db 107/10 North Surrey Water 955% Ob '94/96 Oldham Met Borough 12 40% '22 55.20 Oliver 5.25% 2.625p Orient 8% Bd '95 540.0 35.875 Transport Dev 9'1% Un Ln '95/00 £4.625 Transport-Dev 913% Un En Save-Trelorest Sik Print 6% 2.1p Troplex Lloyd 5% % 1.925p Truck Funding FRN '97 2895.0 TSB FRN 176.39 Unigate 5% Un En '91/96 22.50 Do 61:3% Un En '91/96 22.55 Vickers 5% E.1.75 Do 5% Non-Cum Pref 1.75p PCO Fin 8% Cap Ed '05 5200.0 Peel South East 81/4% Un Ln 187/97 Q4,125 Do 5%(tax free to 30p) 2.5p

noleos Mex 14'=4: Ln 106 67.25 Plantation & Gen Inv 12% Un Ln '01 95 0 P & O Prop 8% Un Ln '97/99 £4.0 PUBCO 111/4: Db '06 £5.625 Do 5%(tax free to 30p) 2.5p Volex 7% 2.45p VSEL 11% Un Ln '96 25.50 Warburg (SG) FRN '06 5365.09 Warner Estate 8½% Un Ln '91/86 23.25 Wals Fargo FR Sh Nis '2000 553.62 Westpard 12%% Db '08 55.1875 Westpare Benking Cap FRN \$295.12 Whithread 4½% Db '99/04 £2.25 Wildinson & Ruddel 5% Pt 2.5p Resducut Ind 6% 1.050 Do 5%% 2,0125p Reckitt & Col 9,5% Cap Bd 105 4,75p Renold 6%% Do 190/95 £3,375 Rights & Issues by Tst 0,47p Do Inc 6.9b RIT Cap Partners 2.5% Un Ln 2000 £1.25 Royal Bk Can FR Db '05 \$52.7430\$ Royal Bk Scot Ser A \$0.703125 Do Ser B \$0.70 Do Ser B \$0.70 Do Ser C \$0.59375 \$1. Dawors Inv Tst 3p Scantronic 5.75% 2.875p Scholl 514% '06/11 2.825p Do 854% '01/05 4.4375p Wallans Hidgs Cv Pl 4p Do 10.75% \$.375p Wintrust 3.65p Do 5.75% 2.875p Do 10.5% 5.25p Schroder Spit 2.1p Scottish Mon 8%-14% Stopd Db '20 27.0 Scottish Nat Tst Step'd Prf Sh 3.517751 SATURDAY APRIL 1 Arnours Pf 3.1875p Allied Domeog 94% Db '19 £4.875 Do 10% Db '11 55.0 inties Tsr Scotland 41:96 £1.575 Do 12% Db 13 26.0 S.E.P. Ind 0.9565p

S.E.P. Ind 0.9565p Shaltesbury 8.5% Do '24 94.25 Shell Trans 514% 1.925p Shress High-Yielding Small Co's 1.8p Shress Int 11% Un Lin 103.04 95.50 600 Grp 3.1554 1.575p 600 Grp 3.15% 1.57% Do 4.56% 2.27%p Do 11% Un Ln '92.97 95.50 Smith Why 5:4% 2.87%p Smith New Court Sb Un Ln '01 98.0 Smith St Aubyn 6% 2.1p Do 9.5% 4.7%p Sth African Brew 6.2% R0.062 Stag 11% 5.5p Std Chest 12",% Sb Un Ln '02.07 55,457%

BCAFO MEETINGS Murray Vents Norcor Hidgs Prosedura

regmenton Tst., 155, Skinopegate, E.C., 12,00 tishire Chemicate, Kritstali Roed, Leeds. 12.00 BOARD MEETINGS Finals:

Glavo 674% Un Ln '85/95 1.6875p Grand Met 414% 54 1.5825p Hardys & Hansons 8% 2nd Pf 2.1p Hull 21/9% £1.25 Do 31/2% £1.75 Ringworth, Monts (Saltzine) 6½% Pf 2.275p Do 2nd Pt 2.275p Johnson Metthey 5% Pf 1.75p Kunick Cv Pf 3.5p Kunick Cv Pf 3.5p Do 8.25p Cv Pf 4.125p Leeds (Cay of) 13%% 106 08.75 Liverpool 31% 600.875 Marshalls Cv Pf 3.25p Microry Key Inv Tst 741% Db '20 £3.875
Do 1146 Db '10/15 £5.6875
Met Water Board 3% (A) '63/03 £1.50
Mid Kent 10% Pf 50
Mid-Sussex Water 10% Db £5.0 Motor World 5.2p NSW Trees 12.1% Exch 8d '95 A\$605.0 Sana Lee 30.17 Sphere Inv Tst 5th Pt 1.75p Stewart & Wright 6% Pt 0.75p Taylor Wood 914% 1st Mitg Db "14 £4.75

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Essex & Suffolk Water 97/1% Db 187/99 £4.8075 Do 11.2% Db 105/09 £5.50 Do 11.5% Db 185/97 £5.75 Do 11%% Db 102/04 £5.875 Estépe Broate 10 Es

Do 11% to 20%
Falfine Boats 10.5p
First Chicago \$0.55
First Choice Holidays 4.875p
Fiscal Props 7/4% CV Ln "20 23.76
Fleming Continental Euro Inv 5% 1.75p
Heming Far East Inv Tst 4%% 1.575p

Do 5% Pi 1.75p General Cons krv 51/7% Pf £1.925

Menzies Li) 4.6p Do 9% Pl 4.5p MEPC 10%% Un Lin 32 ES.25 Do 12% Db 10 26.0 Morgan Crucible 3.85% Pf 1.925p Do 3.6% 2nd Pf 1.75p NSW Tress 12.1% Excr 80 '85 AS Port Lon Auth 3/49 '4999 C1.75 Prowting 8.8% Pf '02 4.4p Reseting 3/4% C1.75 REA. FR Un Lin 95/86 3.875p Republic New York \$0.38 Sens Lee \$0.17 Throgmorton Tst 1.4p Tressury 21/36 £1.25 West Tst 0.5p Whitbreed 51/36 2rd Pl 1.925p

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wily available until approximately \$ after the board meaning to approve the

UK COMPANIES

Southern Blect 10%% Bd '02 £1025.0 Stars 1 FR Mtg Bkd '29 £142.47

2800.0 Sweden 8'49's Bd '16 \$431,25 Do B²49's Bd '96 \$437.50 Tokai Bank Ned Filg/Fxd Flate Nts '02

Tokyu Land 5.3% Bd '98 Y530000.0

E TODAY

COMPANY MEETINGS
Chieftain Gr., Gosforth Park Hotel, Newcastle
upon Tyre 7-200
Temple Bar hav. The Waterman's Hat. 16.
St. Marya-Hat. E.C., 11.00
French Property Fat. The Royal Yacht Club, 60.
Kraytechnings, S.W. 12.00
BOAPD MEETINGS
Frence.

Pearson
Royal Coulton
Rossall (Messander)
Sharpe & Fisher
T & S Stores
Taylor Nelson AGB
Telo-Cine Cell Grp
Uster Telovision
Usilied Energy
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B TOMORROW COMPAIN' MEETINGS: Command Compositional Inv Tax, 49, Hay's Menn, VI., 2.45 Streni Grp. Marriot Hotel, 10, Grosvenor Square. W., 12.00 Soundtrace, Und 21-D Blombern Road, Longoread Ind Estate Surrey, 12.00 BOARD MEETINGS:

EBC Grp
Erbh
Ged Petroleum
Goden Vale
Grossener Dev Cap
Hensingway Propertie
Hobson
Hodder Hoedline
Iceland
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Jemmy Inv Co
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Lopes

API 3.85% 1.8250

Black & Decker \$0.10 Blue Circle Inds 51/9 Db '84/09 £2.875

BP America 8%% Bd '99 Ecu86.25 Bridon 7% 1.225p

Braish Air Cap 9%% Cap Bo '05 British-Am Tobacco 5% 1.75p British-Am Tobacco 5% 1.75p Brit Assets Tet 44.% 1.675p Do 5% 1.75p Brit fav Tet 11.125% Db 12.05.5825 Brit Lord 470.64 Db 12.05.5825

Brit Land 10%% Db '19/24 25.25 Do 9%% Db '28 £4.6875

Do 9%% Db '28 54,6875
Do 11%*6 DB '19/24 55.8875
Ent Telecore 12%% Bd '03 £306.25
Do 12%* Bd '10 £306.25
Ention Estate 11,75% Db '18 £5.875
Brockhampton 9,5% Red Pri '96 4.75p
Brown (J) 45% Ln '03 £2.8125
Do 5%% Ln '03 £2.8125

Do 5%% Ln '03 52.8125 '08 52.50 Cap 8 Gore 7% Un Ln '08 52.50 Cap 8 Countee 64% Dh '93%6 53.125 Da 64% DB '95/00 53.375 Caroc Eng 10.5% 5.25p Cheem Grp 3.15% 1.575p Da 4.9% 2.45p Do 7% 3.5p Churchbury Ests 9% Un Ln 2000 54.50 City Site Ests 10.5% Db '17 55.25 Cleveland Place 5% Db 2000 52.50 Da 12½% '08 55.0625 Casts Viyelia 4.9% 2.45p Collatensed Mort (No.8) FFIN '28 5123.06

Boddington 4% 0b 62.0 Boot (H) 5%% 2.825p Bowster 7.75% 3.875p

trans grp, New Broad Street House, 35, New trad Street, E.C. 10:30 switnes Brownies, Trood Lane, Matterd. piter inti inv Tst, Kn-ghsbridge House. ightsonder, S.W., 10:30 ndon Finance & Jare Grp, Honourable Arabery use, Cry Road, E.C., 12:30 curiour Grp, Richmond Hill Hotel, Richmond.

tyke Hotel, Harrow-Wealde, Updown inv, 12, Tokenhouse Yard, E.C., 4.00 BOARD MEETINGS

E THURSDAY MARCH 30 COMPANY MEETINGS, Baring Tribune Inv Tst, 155 Benotegate, E.C. Baring Tribune live Tst. 155 Bendpagate. E.C 2.30 Corporate Services Grp. Berkele, Conterence

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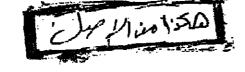
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THIS WEEK

13-year-old girl is lying in a Pisa hospital recovering from the effects of a doll that exploded in her hands.

She has lost her right arm and three fingers from her left hand. Her body is peppered with metal fragments. Her threeyear-old brother, who was standing beside her, has lost the sight of one eye. These two are the hapless victims of a

phenomenon that has begun to move from the inside to the front pages of the Italian press - racism. Their case is especially horrific and has even prompted one of the Berlusconi television channels to organise a national donation.

The brother and sister come from a family of seven, immigrant gypsies. No one is sure whether they originate from Romania or former Yugoslavia. Their tragedy, as reconstructed from confused accounts, is roughly as follows. They were begging by traffic lights on one of the main entry roads to Pisa from Florence. A car stopped and the driver handed the girl a package containing a toy doll, which exploded on being handled.

The Pisa authorities had no doubt that parents - or ruthless guardians who have

Explosion of racism in Italy

the perpetrators were intent on maining - at a minimum. Police have subse-quently rounded up three people, includ-ing one in the military, charging them with possession of explosives. The explosives they possessed matched those in the lethal doll. A quantity of neo-nazi litera-ture belonging to them has been seized. Initially all this was reported as an iso-

lated harbaric event. But it then transpired that in February another such bomb had been directed against young "rom" (as the gypsies are colloquially labelled). That time it was concealed inside a book.

The Pisa incident is not isolated. It has just touched the public conscience. The gypsy community is an easy and self-in-viting target in many Italian cities. Bands of four or five, all minors, are sent out to beg and indulge in petty theft by their

bought the rights to their services.
Since they are

uments the police are reluctant to arrest them. Detention of a minor requires the consent of a parent, who often cannot he

found. Couple this

go with a warning. This in turn antagonises the public, victim of petty theft, and encourages direct physical retribution.

Italy has always been exceptionally tolerant towards foreigners. Until confronted by a mass illegal influx of Albanians in 1991 the issue was largely ignored. Indeed,

having been a country of net emigration

with the cumbrous bureaucratic process of prosecution, and most police let them

DATELINE to the increasingly Rome: Violence has hit a large numbers of country that has always

been tolerant towards and illegal. However. foreigners, writes enforced return of Robert Graham more than 25,000 Albanians in 1991. coupled with the

threat of an exodus from Yugoslavia, then being torn apart by civil strife, and increased instability in North Africa, made people realise that Italy faced a serious potential problem with immigration.

This in turn led to a reassessment of just how much immigrant labour was already inside the country, helping to sustain important specific sectors of the economy. The boom years of the 1980s had tended to do jobs by nationality: the North Africans (mostly Moroccan) in agriculture; the Filipinos and Sri Lankans in domestic service; the East Europeans in semi-skilled odd-jobs.

By the end of 1994, the ministry of interior had 781,000 persons from non-EU countries registered for work permits, just over 1 per cent of the population. How-ever, estimates of the illegal entrants vary from 400,000 to 800,000, probably the largest proportion of illicit labour in Europe. The 1993-94 recession led to a 6 per cent decline in the issue of work permits and

illegal immigrants has slowed, if not declined. The slow-down in the number of illegal immigrants also reflects tougher controls at the frontiers.

the impression now is that the flow of

But with tougher controls, organised crime has been encouraged to take over.

that climate is changing warrants action.

In tandem, procedures for expulsion need to be tightened. In 1993 only 5.551 expulsion orders were carried out, although 49,000 were issued. At present it is all too easy to evade deportation. Recently a group of Nigerian prostitutes had the enterprising idea of stripping naked at Fiumicino airport to cause a stir and miss their flight. They did - and because it meant detaining them for nearly another week, they were released.

turning immigration into big business.

The involvement of the mafia is linking

immigrants more to the world of crime drugs, arms trafficking and prostitution.

The quick change of governments over
the past three years has not helped the
formation of coherent policy or long-term

strategy. But faced with a rise in incidents of racism, of which the attack on the Pisa children is just one, the authorities will soon be obliged to act.

A decision must be made on whether to

legalise the large numbers of illegals. And

the political parties must agree on mea-sures to integrate these illegal immigrants

into society and ensure they are not objects of hate and abuse.

PEOPLE

Software strides onwards at Sony

Michiyo Nakamoto considers the choice of Nobuyuki Idei as president of the Japanese electronics giant

Nobuyuki Idel, the man who takes over as president of Sony next month, has nerves of steel, one of the characteristics which led Norio Ohga, his predecessor, to single out Idei from the candidates to take over one of Japan's most important

For some Sony-watchers, Idei's appointment to the top job came out of the blue. For one thing, he was hoisted above two levels of management and at least 10 other candidates whose chances were thought to have been greater.

But Idei, who at 57 exudes youthfulness, has an air of confidence that is rare in a country where modesty is regarded as a virtue.

His self-assurance has served him well in the past at Sony. He moved rapidly from the audio business where he launched a number of hi-fi hit products - to the company's computer and laser disc operations, before heading Sony's product design strategy.

Idei was responsible, together with Ohga, for backing the laser disc format jointly developed between Sony and Pioneer in the face of opposition from 13 other consumer electronics companies. Idei's commitment to the Sony-Pioneer version now widely used in Japan, has paid off; the rival VHD version. developed by other companies, has disappeared from the market.

That experience helped him in a more recent trial Sony has faced over video discs. Sony has appeared to be out on a limb in the battle over the next generation of video discs, isolated from most other Japanese electronics companies, which are backing a rival format.

Despite widespread publicity suggesting it is losing the fight, Idei, as Sony's managing director, has reiterated the company's commitment to establish its own standard as the industry norm.

Idei seems to recognise the challenges he faces. A while ago he said: "It is a time for strategy. The company's future depends on whether it can build a good strategy.'

Sony has traditionally placed great emphasis on technological excellence; it was always assumed that Ohga's successor would have a technological background. Idei studied politics and economics at one of Tokyo's prestigious private univer-

He is a keen user of audio and video products and is reputed to be able to talk the same technical language as Sony's engineers. Although he does not have any technological training, Idei has



spent years at Sony in charge of key product areas.

That background gives him the ability to consider issues from a broad perspective. As Sony has developed from a small entrepreneurial company to a large corporation with annual sales of nearly Y4,000bn, arguably what is required of the top man is not detailed knowledge of each operation, nor even ideas for hit products, but skill at analysing the conglomerate's overall business structure.

This is particularly so since Sony last April introduced a looser corporate structure, comprising eight separate companies (based on product categories), with their own presidents who each are given considerable authority.

With its 50th anniversary next year, Sony is no longer the kind of small, entrepreneurial company to be run by a single charismatic leader, such as Akio Morita, its founder, or even Ohga, whose forceful personality has set the tone at the company for the past 13 years. It is now a global, somewhat

bureaucratic, giant with businesses ranging from compact discs and cellular phones to movies and cable

What is needed, particularly as many of those products begin to converge, is someone who under-

stands not just the hardware side of the business but also the software operations, and who can set an overall direction for the company.

> A keen advocate of Sony's need to expand its software operations, Idei who once said that Sony's grand design was to place music and pictures firmly at the company's foundations - has an additional advantage in the increasingly global marketplace; Sony today gets about 70 per cent of its revenue from outside Japan. He has a gift for languages. A fluent speaker of both English and French, Idei (who loves wine and French films) seems as comfortable with non-Japanese speakers as he is with Japanese col-

But equally important, perhaps, is another modern-day business asset that Sony suggests Idei possesses. "He's straight with people," says a Sony official. "Unlike most Japanese he is clear about whether he is saying yes or no."

Idei takes on the job of president at a critical turning point in the company's history. As Sony adopts a very different management style from that practiced by its founders. perhaps the biggest test be faces is retaining the spirit of the company that has made Sony the world's most readily recognised Japanese



Singapore's youthful Lien takes life easier at OUB

Lien Ying Chow, founder and largest shareholder of Singapore's Overseas Union Bank (OUB), one of the island republic's four big financial institutions, is a firm believer in the Chinese idea that eight is a lucky number, writes Kieran Cooke.

When OUB opened its new headquarters in Raffles Place in the centre of Singapore's financial district the date was carefully chosen - August 8, 1988. Now Lien has announced his retirement - at the age of 88.

Lien, still sprightly, is a classic southeast Asian Chinese entrepreneur. Born in southern China, he arrived - orphaned - in Singapore in 1920, where he first worked as a shop assistant, and then established his own company supplying food and drinks to British forces in Singapore and what was then Malaya. When Singapore fell to the Japanese he went back to China, but returned to the island republic soon after the war. In 1947, with an initial outlay of S\$2m, he started OUB.

On the day Lien announced his retirement, OUB released its 1994 results. Net earnings were up 33 per cent to \$\$218m. Shareholders' funds reached S\$2 3hn.

Though Lien has written a book about his experiences, he follows Chinese tradition by giving away very few business secrets. Friends say he enjoys life outside the board room: married four times, he was once known as a talented. flamboyant ballroom dancer, frequently in the company of beautiful women. Lien says his hobby is buildings. He has considerable property holdings including the Mandarin hotels in

Lien intends holding onto his 20 per cent shareholding in OUB, and spends afternoons looking at his hotel operations. Stewardship of OUB has passed to Lee Hee Seng, bank deputy chairman and - at just 67 – a mere youth.

Metro likes the Urban style April Fool's Day may not be the best time to start a high-powered new job, but Wolfgang Urban's employer is doing its best to make sure he starts in good spirits,

immigrants, legal

the

writes Andrew Fisher. Urban, 49, has been named the new chairman of Kaufhof, Germany's second largest retailer. He succeeds Jens Odewald, 54, who seems to have fallen out with Erwin Conradi, head of the privately-owned, secretive Metro

cash-and-carry company, which controls Kaufhof from Switzerland. Kaushof describes Urban as "an entrepreneurial thinking manager who acts single-mindedly and has profound specialised knowledge," which praise prompted a wry comment from one international retail analyst: "Where's he been all

In fact, Urban has been at Kaufhof for 22 years. On the board since 1987, last year he moved up from finance director to deputy chairman. Colleagues describe him as energetic and approachable, and say he has a management style less abrasive than Odewald's. His relatively low profile, combined with experience in the department store sector, has clearly endeared him to Conradi.

ITC's Chugh gets rough with BAT

In his bitter row with BAT Industries, Krishan Lal Chugh, shrewd chairman of ITC, the Indian tobacco-to-financial services group, whom BAT is seeking to oust, likes to gird himself in the flag of Indian nationalism, writes Mark

BAT is intent, Chugh claims, on sinking the Calcutta-based company's ambition to create a diversified Indian multinational group. Through what he calls "all dubious means," he says BAT is seeking to split the board, curb ITC's diversification, turn it into a "cash cow" and "fleece the

shareholders". To his backers, at 56 Chugh is a tough champion of an Indian company's legitimate right to conquer world markets from resources it has largely built up under Indian management since the mid 1970s, when BAT ceded its majority shareholding in the group According to insiders, ITC's board is indeed split - among the 10 executive directors, right down the middle; his opponents say it is Chugh's own managment style that noisivib and beause sed

When Chugh took over as ITC chairman in 1991 he was seen as a stern and successful manager, but essentially an engineer technocrat, having worked up through the ranks of ITC's paperboard

He became managing director of Bhadrachalam Paperboards in 1978 and an ITC director in 1989. He is now a director on the board of the Reserve Bank of India - the central bank - and holds a host of honorary government positions.

FT GUIDE TO

GLOBAL WARMING

What is all the fuss about global warming? Many scientists believe the world's climate has been changing for some time. They have focused on a creeping rise in temperatures. That could have devastating consequences for climate and sea levels. Recent breaks in the polar ice cap have added dramatic, if circumstantial, evidence that something is afoot. Environmentalists say the slightest indication

Do scientists really think the earth is getting warmer? Unfortunately, the main consensus is that climate change is extremely complicated and that there are no easy answers. Matters are further confused because the earth's temperature has changed through natural causes in the past. However, an increasing body of research has concluded that temperatures are rising and that human development has played a part. The Intergovernmental Panel on Climate Change (an expert committee) believes temperatures will rise between 1.5 and 4.5 degrees centigrade over the next century.

So what if the planet is getting warmer. Won't that just improve my

Perhaps. But global warming has much wider implications than just a little more sunshine in the northern latitudes. Higher sea levels could submerge some low-lying atoll states such as the Maldives. Rising waters would also cause flooding, which could devastate places such as Venice, the Nile Delta or much of Bangladesh. Higher seas would also accelerate land erosion, poison some fresh water sources and harm agriculture. Higher temperatures could also alter wind and rainfall patterns. That could exacerbate droughts and heat waves. A transformation in crop patterns, with some now-marginal southern farmland turning into desert and cooler northern regions becoming more fertile, could make rich nations richer and the poor poorer.

So what should be done?

At the 1992 Rio earth summit, participants recognised they should monitor the "greenhouse gases" believed to cause global warming and report regularly on reducing them. The focus was on carbon dioxide (CO2), the most common of the culprits although methane and nitrous oxide are also problems. Some industrial countries also agreed to try to cut CO2 emissions to 1990 levels by 2000.

Is that why there's a conference in Berlin this week? Yes. The Berlin conference, which starts tomorrow and lasts until April 7, is the first follow-up to Rio. Many observers expect it to be succeeded by another top-level meeting in Tokyo in 1997.

Who is taking part?

The Berlin meeting will include delegates from the 120-odd signatories to the UN Framework Convention on Climate Change, discussed in Rio, plus observers from elsewhere. Add to that a phalanx of environmental id other lobbyists and an army of journalists, and that is why boteliers are smiling.

But aren't there risks in turning too green? Undoubtedly. Some extremists would like us to return to an idyllic non-industrial past, which probably never existed. Realistically, no one expects the developed world to close its factories and power stations. Likewise, developing countries would like sufficient "headroom" to increase their CO2 emissions to catch up with their richer neighbours.

Even most greens admit that costs must be weighed against benefits. Will anything be achieved in Berlin? Not much. The main issue is likely to be targets after 2000. But climate change is complicated and exceedingly divisive. Not all governments are convinced they need to act. Opec is most hostile: it opposes anything that might cut oil demand. At the other end of the scale, the Association of Small Island States includes many nations which fear they might be vanish under rising seas. They want a 20 per cent cut in CO2 emissions by 2005. Developing countries, which made no CO2 reduction commitment in Rio, are split. Many are wary of a deal which might limit their economic development: some even see the climate change issue as a covert attempt by the industrialised world to protect its competitive advantages by choking off development elsewhere. The US, Canada and Australia are sceptical about committing themselves to a timetable or scale of CO2 reductions, while western Europe is more inclined towards action. Probably the best that can be expected is an understanding to monitor climate change more closely and an agreement to carry on

What is the "precautionary principle?"
This is the theory that if an issue is sufficiently serious (as climate change appears to be) action should be taken before science comes up with foolproof evidence to back it. Observance of the precautionary principle started the ball on climate change rolling. Moreover, many steps, such improving energy efficiency, would be valuable in their own

talking, based on the "precautionary principle", which might lead to a new protocol on cutting CO2 after 2000.

Will failure matter Not to us. Climate change is extremely slow. The planet also has an extraordinary ability to adapt. However, that does not mean the risks can be ignored. Failure is unlikely to affect our lives, but may have an impact on future generations. And the longer we delay, the more difficult it will be to remedy matters later.

Haig Simonian

BLY HALL

Hoop Dreams: raved over and Oscar-nominated in America,

 A new movie genre has grown up in the last decade: How To Be Black And Survive In America. Two new films, though, suggest the category is at last widening beyond Spike Lee's Crooklyn is a family

story scored for comedy and tragedy. Though made by the director of Malcolm X, it is startlingly short on politics. Lee's 1970s Brooklyn community, partly autobiographical, is evoked by its "ordinary" humanity; by the way one delicately drawn family copes with the universals of work, love, conflict, bereavement, Steve James's Hoop Dreams is a three-hour documentary about

haskethall. You know it must be good to have crossed the Atlantic with that disadvantage. Raved over and Oscar-nominated in America, it follows two black boys who try to crash through to sporting success. One does, one doesn't. The film's magic lies in its deft dovetailing of two human stories, refusing to turn them into a sermon on race politics or on sport-as-ghetto.

FILM/VIDEO

■ In video, Rapa Nui and Fear Of A Black Hat are the wacky and wanton sides, respectively, of ethnic stereotyping. Hat is a rap-group parody modelled after This Is Spinal Tap. Nui is an enjoyably addle-pated epic about

Raster Island, Director Kevin Reynolds made the costliest film ever, the \$170m Waterworld, starring Kevin Costner. A more straightforward video

delight is Speed, the best action thriller of 1994. It features Keanu Reeves, a runaway bus and a mad bomber (Dennis Hopper). Why not also try the old Charles Laughton-directed classic The Night Of The Hunter (1955): runaway children, mad preacher, surreal studio landscapes. A must for every home viewer building a

Nigel Andrews

MUSIC

■ I know the record shops are fuller than ever of compilations and collections, but The Best of Badfinger - the first Apple album for 20 years - really is a fascinating slice of pop history. The group's story is full of paradox and, ultimately, tragedy. Best known for the jaunty "Come and Get It". written, produced and arranged by Paul McCartney, the band actually possessed some very accomplished songwriters - Tom Evans and Pete Ham were responsible for "Without You", but the band's own version, included here, is virtually

unknown. A couple of minor hits followed - "No Matter What", "Day After Day" - but the group's undoubted talents for tuneful melodies unfortunately blossomed just when impenetrable, 'orogressive" music came into fashion. They split in relative obscurity in the early 1970s; sadly, both Ham and Evans committed suicide in subsequent years.

☐ It was groups like King Crimson which flourished while Badfinger's releases gathered dust in record shops. Remarkably, they are still

going; "King Crimson's constitution is exactly like the British Constitution - it's unwritten and malleable." once commented the band's learned leader, Robert Fripp. The band now includes golden oldie Bill Bruford and Adrian Belew, who has played with David Bowie, Talking Heads and Frank Zappa. Thruk (Discipline) even has the audacity to include a track with the chorus: "I'm a dinosaur, somebody is digging my bones." Irony or what?

Peter Aspden

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ou cannot mistake the singular, very Swedish culture of Ikea when you visit Almhult, the little railway town in the forests of Smaland where Ingvar Kamprad founded the business 52 years ago and which remains the hub of an international retailing empire.

Distinguishing managers from "co-workers", as lkea employees are called, is impossible in the informal, open plan offices where suits are non-existent and ties a rar-

A large mural on the wall in the lobby depicts a Smaland landscape with the motto "Ikea's soul". On a wall is pinned the "testament of a furniture dealer" penned in 1976 by the guru-like Kamprad, who rarely shows his face to the public, but whose presence is keenly felt throughout the organisation.

Anders Moberg, chief executive of the Ikea retailing operation, is an affable, self-effacing man who looks more like the coach of a schoolboy ice-hockey team than the boss of a billion-dollar business. Like everyone else at Ikea travelling on business, he flies economy class and never takes taxis when public transport is available.

"This is a company that is steered more by vision than by figures," he says with a

Ikea has certainly broken a series of conventions in building itself into a worldwide retailing chain. A privately held company still closely controlled by Kamprad, now 69 years old. Ikea largely ignored the retailing rule that international success involves tailoring product lines closely to local tastes.

Instead, it has stuck by the nostrum laid out in Kamprad's "testament" to sell a basic product range that is "typically Swedish" wherever it ventures in the world - underpinned by the determination to sell quality furniture at prices the majority of people

The company remains largely productionoriented; that is, it decides what it is going to sell and then presents it to the public often with startlingly little research as to what the public wants to buy.

"We don't ask so many questions before we start up new things," says Jan Kiellman. head of ikea's Sweden division, whose design team - almost all Swedish - create the 12,000 items on sale in Ikea stores worldwide. "Last year we launched the 'Swedish Cottage' range without any market research - but the customer liked it very much."

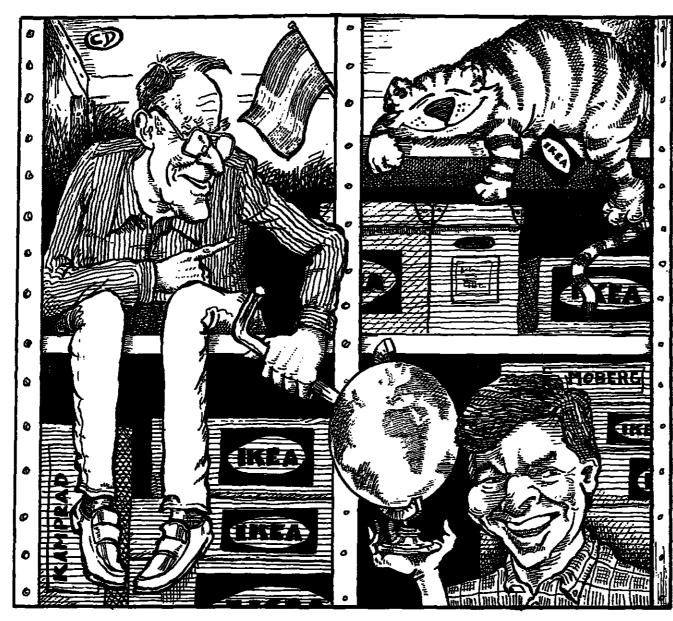
Financially, too, Ikea is unconventional in a business where margins are tight and overheads high. It owns almost all its 123 stores (accounting for 1.8m sq m), paid for with its own cash. Moberg says Ikea has as much capital tied up in real estate as an industrial company has in machinery. "That is a policy we have," he says. "We don't like to be in the hands of the banks."

The formula has worked: Ikea has grown in the last 20 years from a group with 10 stores in five countries, with annual turnover of \$210m (£128m), to having 125 stores today in 26 countries, reaching sales in its 1993-94 financial year of \$4.7bn. The company is famously reticent about figures, but does not quarrel with an assessment made last year by Affärsvärlden, a Swedish business magazine, that Ikea's after-tax profit margin stood at 6-7 per cent of sales.

The success has brought Kamprad a long way since 1943 when he opened a mail order business. He has long since moved his holdings out of Sweden for tax reasons. The lkea retail operation is owned by a foundation set up in the Netherlands (which also owns the Habitat chain) and now has its legal headquarters in Denmark. The family interests also include Inter-Ikea, which owns the Ikea name and controls the franchises which run a minority of Ikea stores, and Ikano, a separate company with banking and finance interests.

No one outside the Ikea inner circle knows the real financial strength of the Hugh Carnegy on changes at the Swedish company which ignored the rules to become a worldwide retail chain

Struggle to save the soul of Ikea



year ago that the Ikea retail operation had a market worth of SKr35bn (£3bn).

Not everything at Ikea is quite as serene as it appears in Almhult. In recent years, the company has had to cope with recession in some of its main markets - particularly Sweden itself, which still accounts for 11 per cent of sales. Ikea's venture into the US, launched in 1985, was beset by difficulties and initially ran up heavy losses.

There has also been some damaging publicity - most notably last year when the revelation that Kamprad had been involved in a Swedish pro-Nazi group during the 1940s attracted the adverse attention of influential Jewish groups in the US.

Above all, however, Ikea has been prey to structural problems stemming from its fast growth. As the organisation expands further, it has had to adjust the way it operates in ways that are likely to erode the

agement. Coping with Ikea's evolution frustrated customers unable to find what while maintaining its essential values and identity is a key task for Moberg.

Over the past two years, he has had to get a grip on an organisation that had become bloated. "In all successful organisations. whether private or public, there is a risk that success will make you complacent. We had become a little bit like a stuffed tiger."

Costs had risen to more than 37 per cent of sales value from levels of around 30 per cent at the end of the 1980s This was an alarming development for an organisation which has always stressed its cost consciousness: "An idea without a price tag is never acceptable," wrote Kamprad in his

The main target was a fearsomely complex production and distribution chain. encompassing 2300 suppliers in 67 counthey wanted in the stores.

Before the reorganisation, up to 90 per cent of goods went through Ikea's 12 distribution warehouses on the way to the stores. Today, some 30 per cent of goods go direct from the manufacturer to the store and the goal is to reach 50 per cent. Lead times for the development of new products are being cut, the extent of the Ikea range of products is being trimmed and suppliers are being pressed for lower prices.

At the same time, a greater emphasis is being put on increasing sales volumes in existing stores rather than the rapid expansion of new outlets. After adding 18 new stores in the peak expansion year of 1992, the aim now is to average a more modest six or seven a year.

"We are not very good at space management," admits Moberg. "We can become more professional in that area.

He says that Ikea's policy - again, laid down in Kamprad's "testament" - of always offering a substantially lower price than its competitors, will help to keep in shape an organisation which does not have the pressure of shareholders scrutinising its finan-

cial performance. "Our policy puts a lot of pressure on ourselves," says Moberg, "Our people cannot compensate with price increases. They have to get volume growth and better efficiency in our stores."

But even if Ikea is overcoming these problems - Moberg says volumes are again moving up and cost ratios coming down - it still has to reconcile the structural demands of its international growth with its relaxed, but curiously rigid way of operating.

Ikea insists that all its stores, whether in the UK or the United Arab Emirates, carry the basic Ikea range as produced by the company's Swedish unit, with little room for products tailored to local tastes.

There is always a conflict between the local store and Ikea of Sweden." admits Jan Kiellman. "They want to follow local market trends but that is usually not in line with the Ikea identity. We have to safeguard the identity."

Sticking too rigidly to that line has at times got Ikea into trouble - especially in the US. In what has now become part of company legend, Ikea was initially baffled by the reluctance of US customers to buy its beds and bed linen. It eventually realised that Americans liked bigger beds than Swedes and ordered larger beds and sheets from its suppliers. Sales suddenly took off. Much the same happened with kitchen units which previously did not accommodate plates large enough for pizza.

Moberg now laughs about the episode. "We were a little bit dumb," he says. Elsewhere, similar adjustments have been allowed - such as including leather-covered sofas in Belgian stores, and corner sofas in Austria.

And last year Ikea commissioned its first extensive market research programme in Europe to gain a sharper impression of its

Although the company was reassured to find its Swedish identity was popular, a pull away from the exclusively Swedish Ikea concept seems inevitable as Ikea listens more to its customers and expands into areas such as the far east, where it now has six stores, and, next year, even China.

"Of course when we come to China we will have to behave differently - if only because of the size of dwellings," says Mob-

These centrifugal forces may also be strengthened by a growing trend within Ikea towards franchising, where local partners will be the driving force in individual stores, rather than Moberg's management team. Fifteen Ikea stores are now run as franchises operated by Inter-Ikea.

But Moberg is adamant that the core Ikea culture will be maintained. He says that by remaining a private company, it will keep its commitment to long-term growth, allowing it to absorb losses such as occurred in the US without changing its basic strategy. At present, Ikea owns large banks of undeveloped land in eastern Europe, including 150,000sq m outside Moscow, but is content to wait for better prospects before seeking a return there.

With Ikea holding only a 5 per cent mar-ket share in its biggest single market. Germany. Moberg says the company still has "huge" growth potential around the world. And it does not believe it should depart from Kamprad's 1976 "testament" to achieve it.

"If we had adapted to more traditional German tastes and styles we would have won a bigger market share there - but we would have had a different profile," he says. "We believe in the long run we will win the customers over to our Swedish way of thinking on furniture and home furnishing. So we will keep our profile. Our identity is extremely important for us."

may be that the signs of age are an

advantage, lending gravitas and

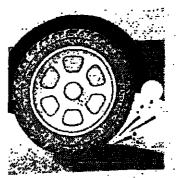
helping the prodigy earn respect. Or

perhaps it is that spending so much

energy clambering up the ladder

wrecks havoc with the bloom of

So now we know that Rupert Pen-



Avant Guardian

It may be the world's fastest growing business communication channel, but the Internet has security directors worried.

The worldwide computer network was established to make communication between . scientists easier, so security features to defeat fraudsters and hackers were omitted. Now that commercial companies are increasingly planning to use the Internet as an "information highway", carrying confidential information and financial data, its volnerability to wrongdoers

is a serious concern. Richard Mackenzie and Terry Harris, technical director and chief executive respectively of Avant Guardian, a five-year-old, London-based company, believe they can render the Internet and any other computer network where the public telephone network provides the connections between the individual computers - as secure as is practicable.

If Mackenzie and Harris are right, their 'Proscriptor Modem" should have vast sales potential. As computing networking grows, most businesses are beginning to realise how vulnerable their systems are.

Modems are telephones for computers. They turn the bits and bytes of computer language into signals which can be transmitted down a telephone line. One is needed at each end of the line. Incoming data has to pass through the modem before entering the computer system.

The Proscriptor allows genuine modems to be recognised and a connection established; if the transmitting modem is not recognised, either the line is dropped or the potential backer diverted to a personal computer which presents him with a mock log-on creen, where as Harris says. "he can play to his heart's content". In either case, the hacker never knows why his attack has failed. Harris, 56, a computer

experience at Singer Business Systems, Control Data, Centronics and Summ teamed up with Mackenzie, 55. inventor and former television cameraman, through a chance meeting. They raised an initial £160,000 in two stages from personal sources and are considering a bank loan to raise further working capital. The system is essentially an electronic lock and key which

industry veteran with

prevents unauthorised access, but can also encrypt messages for greater security. Some UK government departments are showing close interest in the device and have already placed orders. Avant Guardian is developing a special government version of the Proscriptor which incorporates software to code and decode messages.

There are other ways of securing access to networked systems but none have the ease of use, simplicity and low cost of Proscriptor, according to Harris and Mackenzie, Production in quantity will begin in May. In the UK, the computing services company Logica is testing the modem on behalf of

the government. In small numbers, each modem costs about £2,000; inquantity the price falls to about £1,200. For worried basiness users of the Internet, it would seem a small price to pay for security of data and peace of

Alan Cane

organisation. But Affärsvärlden reckoned a close-knit, Swedish-driven culture of mantries, but which all too often ended with Of bosses, babies and balance

nity leave I can confirm that it feels wonderful to close the door in the morning on the dirty nappies and whining children and head for the calm adult world of the office. It feels less good to return in the evening to find one child running a fever, another having a tantrum and the baby hungry.

Every mother I know frets over how best to balance home and work. Some manage better than others, but all take for granted that at least some of the time it seems as though you can do nothing right.

With this in mind I have been reading with interest how Britain's captains of industry view the problem. A book to be published next month* interviews a selection of (mostly male) chiefs of big companies on the well-worn question of how they got to the top. It asks which has come first: their jobs or

Hardly surprisingly, the older generation of bosses mostly say

wo weeks back from mater- that work has taken priority. Richard Giordano, chairman of British Gas, admits to having seen too little of his children, although he appears to take comfort in the fact that none of them have turned into junkies (unlike, he suggests, the off-spring of some of his friends).

By contrast, the younger generation of chief execs insist that when it comes to the rub, family always comes before work. Yet the fine words of these new men do not quite ring true. Does family really come first, if like Bill Castell, chief executive of Amersham International, you work from 7am to 8pm and in just one month have visited the US twice and Japan once? Or if, like Neville Bain of Coats Viyella, you work 65 to 80 hours a week and travel constantly?

Martin Taylor of Barclays Bank unlike most of his peers, does not comfort himself with any easy platitudes. He complains of being distracted and bad tempered at home and says that of course his family suffers. He says the problem is a

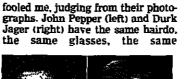


difficult one and he doesn't know what is to be done about it. That sounds like real life to me. Only one of the business leaders

puts forward a specific example of how home life takes priority over the office. GrandMet's Lord Sheppard tells with pride of how he dashed away from work one day to tend an invalid at home - but in his case the invalid was not a human being, it was a dog.

The pair of new bosses at Procter & Gamble are different as chalk and cheese, we are told. You could have







tight-lipped smile and wear the same clothes. They are more or less

On the subject of appearances, I was startled by the picture in last week's FT of the new stamps supremo at the Royal Mail. Alistair Sharp is just 28, yet looks a good

the same age and have both been at

P&G man and boy. It is all very well

to encourage a strong corporate cul-

ture, but at P&G things seem to be

getting out of hand. Especially as

the man that the two newcomers

resemble most is none other than

Edwin Artzt, the old boss, who also

has the same hairdo, the same

clothes, the same tight lipped

decade older than that. There is surely a syndrome hère: young people who get promoted into senior jobs often look older than their

Some (like Sharp) have well-lined brows. Others (like Howard Davies) have lost their hair, or tlike John Birt and Charlie Scott) have gone prematurely grey. The explanation

nant-Rea used to while away the time during long and boring meetings thinking about his lover. This revelation is supposed to have been particularly damaging as it would have meant that no one could take his presence in meetings seriously once they knew what he was likely to be thinking about. This is the wrong conclusion to have drawn. The correct one is to enquire why the meetings were so boring in the first place and look at ways of mak-

ing them less so.

*Roads to the Top, Ruth Tait. Career decisions and development of 18 busi-ness leaders. Macmillan Business.



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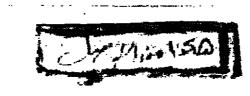
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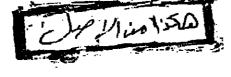
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FT Surveys





MEDIA FUTURES

Screens in a class of their own The dream factory

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John Authers looks at the introduction of multimedia teaching methods in Britain the dream team and

hen pupils study the sec-ond world war at the Queens' School, mixed comprehensive near Watford, north London, they look into the future as much as

The school is piloting one of several initiatives to introduce multimedia to British schools. This year, for the first time, 13-year-olds were taught about the war using the school's new multimedia centre.

Those lessons demonstrate the potential of the shift from micro-computers to new educational techniques using multimedia and online technology – but there seems to be confusion among policy makers over how these technologies should be introduced.

At Queens', half the class sit at the 16 screens, wearing head-phones and listening to the scream of diving Stukas as they watch footage of Hitler's blitzkrieg explode across the screen. While the action unfolds they can follow their interests - a few clicks on the mouse, and they can be reading chilling anti-semitic texts from Mein Kampf, or listening to Winston Churchill's

speeches. The remainder of the class study documents and books seated at large tables in the middle of the room. They have none of the appeal of the screen images around them, but with their interest whetted, even enthusiasm for books is greater than it was.

Mary Marsh, the head of Queens', reports that pupils' work has improved sharply since last year, when they still studied the 1939-15 conflict by more orthodox means.

The pilot has also discovered other educational applications. Children show signs of much greater enthusiasm for language courses, for example. The machines ask them questions in French, and then ask for replies, using a microphone. Good responses receive enthusiastic applause over the head-phones.

Elsewhere, according to Marsh, multimedia helps to win and sustain children's attention. The exercise of putting on head-phones and having to manipulate key-board



War in the classroom: pupils at the Queens' School follow the progress of Hitler's blitzkrieg

and mouse is much more enthralling than opening a textbook.

While this effect wears off over time, it helps to establish their enthusiasm. Children are now asked to research projects using the multimedia centre. and not the library, to give them confidence with the ecuinment.

The school also uses e-mail internally and to make contact with a school in Russia. It is also involved with a project to teach geography using the Internet but so far this has been hampered by technical difficulties and by cost.

In the future, the school would like to use online facilities for multimedia material, but the technology is not yet ready. This is a problem for many other schools, unsure whether they should yet be replacing the first generation of information technology in the classroom, dominated by ageing micro-computers.

failed to make an impression on the market the first time around are determined to establish a presence as attention moves to multimedia and the Internet. Education department statis-

Many companies which

tics show that schools have revolutionised their spending on computers in the last decade, but already have a large stock of ageing machines which need to be replaced. Last year there was an aver-

age of 85 micro-computers in each secondary school, compared with 13 ten years earlier. But more than a third of school computers are now over five years old. Many of the BBC computers made by Acom for schools in the early 1980s, for example, are still in use. Average expenditure on computers was equivalent to £29 per pupil, or £23,950 per school. up ten-fold from the £2,250 in

wo fifths of all micro-computers available in schools were supplied by Acorn, and almost one third by Research Machines. These two companies exert a similar dominance over primary schools, where even more computers are ageing. This seems to be the cue for significant reinvestment. As a result British schools suddenly find themselves crisscrossed by putative educa-

tional superhighways.

Several government departments are separately funding pilot schemes to introduce the new wave of online and multimedia technology to schools. with the aim that all the country's 5,000 secondary schools should have access to online technology by the end of the century.

Last week saw the launch of the Department of Trade and Industry's Schools Online pilot scheme. This will provide \$250,000 of government funding for a consortium of 20 information technology and communications companies to link 50 pilot schools - chosen to give a broad geographical spread - to the Internet. Each school will be "adopted", provided with equipment, line connection and training.

The companies, which will contribute £350,000, are all members of the UK National Information Infrastructure task force, which first proposed the idea to the government. Members include communications companies British Telecom. Cable & Wireless and Motorola, and computer manufacturers such ICL, IBM (UK), and Bull Information Systems. All are hoping to use this as an

ence in the schools market. Last week's move followed February's announcement of a private-public sector collaboration to introduce a series of regional "learning information superhighways", with training providers working jointly with universities and local education authorities.

Queens' was the first pilot for this scheme. All the equipment was supplied by Link Training, a private sector training provider, which also employs one person full-time to administer the centre. The company aims to expand its use of the centre by offering adult education and training out of school hours - this should allow it to make a

ts plan is to extend this scheme with a series of regional superhighways", linking schools with training providers and universities. The first such scheme has already been announced for Merseyside, It involves Liverpool John Moores University, the local education authority and Link in a scheme to provide multimedia for all the area's schools. Once technology permits, these networks can be used for transmitting multimedia material.

These are not the only initia-tives encouraged by the government. In January, Gillian Shephard, the education secretary, asked information technology companies for proposals on how online technology could be used to help schools, with the possibility of education department backing for the most promising schemes

Ian Taylor, technology minister at the DTL defends the proliferating pilot schemes: There's no conflict between pilot projects. They are all adding to our total knowledge. At least we will get a selection of schools coming up with their own innovative ideas on how to use it, which can then be passed on to others."

He suggests that the internet already provides opportunities for experimentation, and will allow further progress: "It is a first step, but one which may encourage schools to go on to explore the higher capacity multimedia superhighway."

the dream machines

By Louise Kehoe

The story of "DreamWorks Interactive" reads like the plot for a Michael Crichton novel: A trio of world famous Hollywood entertainment moguls join forces with a high tech billionaire, reknowned for

his bare knuckle business style. Together, they draw up plans to bring the wonders of the silver screen to computer discs in the form of interactive multimedia

Among the central characters in this tale of industrial convergence is a dynamic oung female executive who brokers the deal to form the new company and lays out its

Striking fear into the hearts of competitors, the partners declare that "money is no object" as they pursue their ambitions to create a new age of dicital entertainment . . .

But there is nothing fictional about the interactive multimedia joint venture formed this week by Microsoft and DreamWorks SKG, the Hollywood studio founded last October by Steven Spielberg, sic magnate David Geffen and Jeffrey Katzenberg, former Walt Disney studio

Tentatively called DreamWorks Interactive ("we will probably come up with a better name," says Bill Gates, Microsoft chairman) the new software company represents the most potent marriage to date of Hollywood and high tech, bringing together some of the most highly acclaimed

talents from both sectors. "The primary focus of the venture will be bringing new adventure games and stories to the interactive realm on personal computers, via online networks, or other platforms." says Patty Stonesifer, senior vice president of Microsoft's consumer division, who struck the deal between her company and DreamWorks.

"We want the venture to come a premier provider of interactive products. We think that the assets of both companies lend themselves

very well to creatine an interactive entertainmen product line and a great new approach to taking a story that is developed in other media and bringing it to the interactive world."

Each of the partners will provide initial capital of \$15m, which will be used to hire about 75 of the "best and brightest" software writers. animators and story line spinners for the new company. Many of the interactive

titles will be based on motion pictures and television programmes produced by DreamWorks SKG, the partners said. They aim to produce as many as two dozen itles a year, rolling out the first personal computer games toward the end of 1996.

For DreamWorks, the multimedia venture is an adjunct to mainstream film, television, animation and music production plans. "Its importance cannot be measured simply in financial terms. It may start small, but we believe that in the long term its potential is tremendous and it will become an equally important contributor to the company,"

said Katzenberg. In the smaller universe of multimedia personal computer software, however, DreamWorks Interactive represents a potentially powerful new force.

Microsoft is already by far the world's largest software producer with its virtual monopoly in PC operating systems and commanding lead in office applications. Over the past year Microsoft has also risen to the top of the multimedia CD-Rom market with 1994 sales of 8.3m discs, or 15.4 per cent of the world market, according to a market study published last week by

For second place Mindscape (owned by Pearson, the parent company of the Financial Times) with 12.4 per cent of the world market, Electronic Arts, Broderbund and other PC game producers, DreamWorks Interactive could become a tough competitor. With its bountiful parent companies, DreamWorks Interactive will be well placed to purchase rights to popular film themes and characters - a big element of success in the fledgling multimedia business. "Finances won't be a constraint at all for this

company," says Gates. Microsoft's agreement to distribute DreamWorks Interactive products. Only about 10 per cent of multimedia CD-Rom products currently find "shelf space" in leading US computer retail stores, according to industry analysts, Microsoft, however, can assure DreamWorks of

widespread retail distribution. DreamWorks Interactive nonetheless faces several challenges. A key issue will be whether the joint venture can successfully blend the disparate cultures of the movie and computer software industries: a task that has proven difficult at other multimedia companies. The potential for problems "is proportional to the size of the egos involved", says one

software industry executive. The DreamWorks principals are, however, confident that they can work well with Microsoft. "We have spent a tremendous amount of time in the past six months getting to know Bill [Gates] and his team," says Katzenberg. "We are very confident of our ability to collaborate."

Ultimately, success will depend upon an ability to create compelling games. "The play is the thing," says

 Apple Computer will today introduce software tools and technologies for "interactive music" - a blend of music, video, graphics and text. Several leading record labels and artists are expected to announce plans to use the new Apple Macintosh software to create "enhanced CDs". These are multimedia CDs that can be played on a standard audio CD player or a PC.

EDI: what benefit is it?

Vanessa Houlder examines the quick route to business efficiency

created by the convergence of electronics and telecommunications, few subjects would seem more mundane than the processing of involces, purchase orders and advice notes.

But electronic data interchange - sending information from one computer to another across a network - is having a profound impact on business. By cutting out delay, errors and duplication in ordering and billing systems, it allows companies to reduce costs, carry less stock and adopt closer relationships with their suppliers and customers.

The impact of this technology is at its most striking in the retail industry, where the use of EDI - and associated technology such as electronic mail - is blurring the roles of the retailer and the supplier.

For example, Somerfield, the UK supermarket chain, intends to use electronic trading to share responsibility for stock management with its suppliers. Under its co-managed inventory system, which will begin trials next month. Somerfield will use EDI and electronic mail to inform its suppliers about movements in its stock, sales forecasts and planned promotions. The suppliers will have online access to the forecasts, which they can amend in the light of their own estimates of future

Next, Somerfield plans to get even closer to its suppliers by adopting "self-billing". Instead of waiting for its supplier to send an invoice, it will simply pay the supplier on the basis of information from its own sys-

Already EDI has led to improved accuracy, speed, reduction in lead times and a reduction in the number of people needed to place orders. according to Charles Collins, EDI project director at Somer-

But he believes it has wider implications by creating a sense of partnership with its suppliers. The mere fact that electronic flows of information have replaced the telex "is pretty minor compared with the cultural changes within the organisation", he says. This view that electronic

trading has strategic, as well as technical, importance is widely held by its proponents. In the view of John Thorpe,

EDI revenue growth by country (Ecu million)

Electronic data interchange

Source: Ovum Ltd managing director of GE Information Services, INS Division, one of the largest European networks, electronic commerce is "a business tool which

Carrier.

their business processes and improve them He argues that automating trading processes is a logical next step for companies that have already squeezed productivity gains out of the manufacturing operations.

enables companies to reassess

The idea that companies can deliver better customer service using electronic trading often involves more than just the automation of its invoicing and billing systems. By combining EDI with e-mail and system responsible for monitoring and replacing stock, companies are exploring new ways of getting closer to their customers.

For example, Avnet EMG. he electronic component distributor, has used electronic trading to extend its business beyond the boundaries of traditional distribution. Its electronic ordering system reaches right down to the shop floor. When a box of components is empty, the operator swipes a bar code to send the order through to the distributor.

Stevensons Fashion Dyers, part of the textile group Coats Vivelia, uses EDI to automate the transmission of dyeing instructions from its customers. The network also informs customers when their goods are about to arrive. The result, says Peter Reed, EDI co-ordinator is "a closer relationship with our customers". The claims made for EDI are

not always borne out in practice. Getting its full benefits depends on establishing a strong partnership with other companies in the supply chain, which can be an elusive goal for many hard-pressed supplifit from EDI will be fewer than you expect and it will take longer than you might expect. says Andy Bytheway of the Cranfield School of Manage-

Difficulties in implementing EDI programmes are common. A survey of European EDI users, by PFA Research, a Bodmin-based research company, found that although 92 per cent of users said EDI brought important benefits, 59 per cent had difficulties implementing The most common com plaints concerned technical problems, difficulties with trading partners and choosing

and agreeing standards. Smaller companies have typically had the greatest problems with EDI, "A lot of smaller companies have been asked to trade electronically with larger companies. Not all of them find this as easy as the large companies," says Neil Lawrence. senior marketing manager of Managed Network Services at

BT, the UK telecoms company. Their problems have stemmed from a lack of computer expertise and partly from cost. However, costs have fallen sharply. Adopting EDI costs from £600 for the first year, a tenth of the expense five years ago.

Smaller companies have also had difficulty in integrating EDI with their business soft-ware, which undermines most of gains in accuracy and speed normally brought by EDI. According to Gary Lynch, chief executive of the EDI Association, many small suppliers have been left with the idea that EDI is just "an expensive fax machine".

Now, however, the software houses are starting to address this problem. GE Information Services has recently signed a partnership agreement with Multisoft and Pegasus, with the aim of integrating EDI capability with accountancy and business software.

Another problematic aspect of EDI concerns the connections between different net work suppliers. Sending information to a computer linked to a different network is less ecure, confidential and trace able than using a single network throughout.

he relatively modest role played by the banks in EDI has also aroused criticism. "Financial EDI is still a problem," says Bytheway. "What is holding it back is conservatism and the exorbitant charges which banks make for transactions, savs Thorpe. But the banks say Financial EDI neglects the savings from reducing the cus tomer's workload associated with data entry, authorisation and reconciliation of cheques.

Peter Golson, senior product manager for Barclay's EDI service, says the cost of process ing a payment using financial EDI is £6, of which the bank's fee is £1. By contrast the total cost of processing a cheque for the bank and its customer is £10-£17. As the benefits are increasingly recognised by companies, volumes of EDI users are doubling every six months, albeit from a small base, he says.

Whatever the shortcomings of EDI, most commentators believe it is here to stay. There is no doubt that electronic commerce will be the main way that business is done The uptake of both financial

and commercial EDI is expected to gather momentum throughout Europe. Its market is likely to grow at a compound rate of 21 per cent to the year 2000, in the view of Ovum. the market research company.



trees a minute, how can planting just a handful of seedlings make a difference? A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people

that can force them to chop down trees. Where hunger or poverty is the underlying cause

of deforestation, we can provide fruit trees. The villagers of Mugunga, Zaire, for example, cat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now

sell the surplus fruit their nursery produces. Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries

on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

to be cleared every two or three years.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.) WWF fieldworkers are now involved in over 100

tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature

International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

sengers travelling tween the seven igen countries.

As from yesterday. travellers between the rven – the Natherlands sce, Germany, Po subject to passport control, regardless of

Travellers will be given an 'Open Border Card' ig them to by-pass **Gatwick bonuses** London's Gatwick airport is to launch a points schame to reward passengers who spend money at the airport.

eat, shop, park their car or change money at Gatwick will collect points on a swipe card. The points can be exchanged for air miles on Virgin Atlantic. Continental and Northwest

From April 3, passengers who

airlines or money-off vouchers for Gatwick facilities.



Express, finiding Gatwik Airport with London Victoria, has said it is interested in bidding for work South Central NSC, which could also be the subject of a bid from its between London and the

south coast, as well as an

elternative link to Gabrick



SAS strike threat Ground staff at SAS in Denmark looked set to strike on April 1 after talks on pay

and working conditions collepsed last week. The threatened stoppage by some 1,700 staff involved in check-in, ticket sales, and . freight and transit activities at Copenhagen's international

aktoort has already been ocstooned twice. SAS said the strike could distruct domestic as well as oversees flights through its Copenhagen hub.

High cost of leaving Lebanon has the highest departure tax in the world, at £40 for first class

passengers and \$20 for other travellers, according to a league table produced by Home & Overseas, a travel insurance group. In second place is Jamaica. which charges £19.60, and third is Greece, where the tax is £15.90.

The new £10 internations departure tax for travellers departing the UK puts the country in the top 10, ahead only of Beigium.

Tirana hotei upgrade Albania's first four-star hotel opened at the end of last week when the upgraded Hotel Tirena - now the Tirana international

Hotel - was inaugurated.

The revemping of the hotel, which overlooks the cantral Skanderbeg Square, is the result of a 12-month Italian renovation programme financed by the European Bank for Reconstruction and Development.

The closure of the hotel for reconstruction had left Tirana with only one major hotel, fueiling a boom in private boarding houses to serve demand from foreign business

Two further modern hotels are due to open shortly.

Likely weather in the leading business centres 512 \$ 1 B 1 0 1 B 1 6 6 6 6 6 6 C

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City without a heart

Laura Tyson on getting around Taipei's scattered facilities



best area to stay in? Taipei has no city centre or well-defined busi-SMART ness district. **GUIDE** Nor does it have a pavement café culture, although

night markets with modest dining al fresco abound in alleys around the city. The best area to stay is in the quasi-financial district, where many - but not all - banks, big corporations, securities houses and multinationals have offices. Taipei's notorious traffic jams make it advisable to stay close to where you will be working. If your appointments are scattered around, stay near the centre.

If you are into exercising, the Chiang Kai-shek Memorial is the best place to go jogging. And there is a stadium with a track which opens early and closes late. Running on the streets is not recommended: as well as the noise, fumes and traffic. Taipei's pavements are notoriously treacherous. What about botels?

Taipei now offers a wide selection of accommodation, ranging from world-class to the ubiquitous "love hotels" which vary in degree of seediness. But do not expect bargains in any category. Prices at midrange hotels are \$100-\$150, and list prices for five-star establishments start at about \$200

per night plus tax. However, few business travellers pay the full rate. Sometimes hotels offer seasonal deals, and corporate discounts of 20 per cent to 30 per cent are often available. If there is a conference in town, be sure to

book early. The unpretentious Sherwood is a favourite - it is in the heart of the so-called financial district, said to be wellmanaged and with good restaurants. The bar on the second floor is a good low-key place to meet after work.

If you are attending a conference, chances are it will be in the convention centre. This makes it convenient to stay at the Grand Hyatt, which is attached to the convention centre and the World Trade Tower, where many domestic and international companies have offices. The drawbacks to the Hyatt are that it is far from everywhere else and the traffic is particularly snarled in that

The Formosa Regent is a good choice: central, excellent restaurants, duty-free shopping and close(ish) to the airport. The business centre staff are exceptionally friendly and

The mid-range President and Imperial hotels, both Taiwanowned and operated, can be recommended. They are located near the "combat

zone", a faintly seedy but lively district with a strip of American-style bars which used to be frequented by US soldiers on leave from the Vietnam war. Now it is frequented mainly by expats who eschew the trendy disco scene

How about restaurants?

As a rule the Chinese let nothing get in the way of what they consider to be life's most pleasurable activity - eating and the Taiwanese are no exception. Entertaining at home is virtually unheard of in Taipei, so there is a plethora of restaurants. Taipei is especially well-known for its variety of Chinese regional cuisines, and is considered to have the best Chinese food in the world. Apart from those in hotels, Chinese restaurants

8pm-9pm), so beware. There are also many excellent Japanese restaurants, due to the colonial legacy and the large Japanese business community in Taipei. Authentic western cuisine is becoming more common, but some of the best western restaurants are still in the big hotels. Ask your hotel for recommendations.

For Italian food, Portofino

close early (no orders after

(tel: 755 5581) is thought to be the hest (reservations advisable), and for continental cuisines, Traders Grill in the Hilton hotel (311 5151) offers excellent food and impeccable service. Special menus can

be arranged for groups. Ting Tai Feng (321 8927) is a famous old-style Chinese restaurant specialising in noodles, dumplings and other mainland Chinese favourites. It is said to count senior government and Kuomintang officials among its clients, and is lively, with good

The Tau Tau restaurant (tel 564 1277) on Chung Shan North Road near the Formosa Regent Hotel serves excellent Shanghai cuisine and stays open until 10pm.

For a glimpse of the party habits of wealthy young Taiwanese, nothing rivals Kiss disco in the Magnolia Hotel. Kiss's decor defies description but is undoubtedly unique. Celebrities are sometimes spotted among the masses sweltering under the strobe lights to the beat of energetic Filipino

For a place to relax over drinks and snacks, try a bar called C-29-R, known as "Ludan" in Chinese. The ambiance is traditional, with Shangdecor; and the music is pop, selection of European beers.

What can I do for entertain-

from New Orleans-style jazz to blues to rock. It has a good bar scene and dancing and a mixed Taiwanese and expat clientele. For those so inclined, Taipei offers numerous temptations. Barbershops - euphemism for brothels - are ubiquitous and often surreally tacky. Bathbands. Shorts are not permithouses complete with massage ted - at least on men. services are plentiful, but the faint of heart need not be deterred: many are completely

hai-style wooden furniture and attracting a young and hip clientele. The drinks menu is exhaustive and includes a good Club Tu Mambo (704 7290) often has live bands, both local

and US, which play everything

Fancy footwork: the Chiang Kai-shek Memorial is the best place to go jogging away from the city's notorious traffic and fumes ous and resourceful. All things

be overcome given patience, respect and an open mind. As in Japan and Korea, after-work entertaining is a must. Deals are not struck in boardrooms but in private rooms at restaurants, where camaraderie, mutual trust and friendships Newcomers will find it legitimate. They are generally

are possible, and seemingly

insurmountable barriers can

extremely difficult to refuse attempts to ply them with large quantities of drink. Women can usually demur by saying they never drink. The ability to relax, get a bit tipsy, tell jokes and amuse your hosts by trying out your three words of Chinese is worth infinitely more than a multitude of faxes and dull office meetHow should I get around?

Taxis are good; a chauffeured car is better. Be sure to have the address written in Chinese as few cabbies speak any English. There are buses but no subway. An urban mass transit system is being built, but won't be running for a while. Suppose I have a spare day?

If you have a few hours to spare, one of the best places to go is the National Palace Museum, which contains exquisite Chinese treasures spirited from the mainland by General Chiang Kai-shek before the Communist victory in 1940. Be sure not to miss the carvings and the snuff bottle collection

The chaos and clutter of downtown Taipei - the lasting impression of many a business

visitor - unfortunately tends to obscure the fact that the island has beautiful natural scenery. The most accessible place to go is Yangmingshan park, a mountain reserve north of Taipei. From roads winding up the hills there have sweeping views of the city on clear days. There is an extensive network of hiking trails in the

1

The mountains are remnants of an ancient volcano which is still riddled with fumaroles and hot sulphur springs, water from which is piped into dozens of hotels and spas in Yangmingshan and nearby Peitou. A pleasant way to spend an afternoon is to go up to Chu Tse Hu, a picturesque valley (once the volcano's crater) where several modest restaurants serve excellent food.

The secret guru of design strikes gold

Colin Amery on a just reward for Colin Rowe

revealed is the name of the man who is, "the golden thread of thought" behind the development of modern architecture in Britain and America during the last 50 years. Her Majesty The Queen, acting upon impartial advice from the Royal Institute of British Architects, has decided that this year she will give the Royal Gold Medal for Architecture to the eminence grise, the secret guru, the power behind the throne one. Colin Rowe.

Who on earth is he I hear you cry? Search me, would be the answer you would hear from most architects, and no layman has heard of him. I cannot resist telling a per-

sonal story. Some years ago I heard of this remote genius. At the time I was an editor on The Architectural Review. One of my jobs was to try to publish articles of serious intellectual weight. I had heard that he was not exactly an easy man and that he was something of a challenge when it came to the production of manuscripts but I flew to beard the sage in his American den.

In the late 1960s the guru was lurking on the campus of Cornell University in upstate New York. In those days you had to take a tiny aircraft to Ithaca. New York and the bumpy flights through the mountains had an edge of excitement about them. Rowe had found me a room on the campus and I could see I was in for long negotiation with the great writer. He was quite keen on two things besides architecture, liquid refreshment of an could not see eye to eye with

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o the secret is out. alcoholic nature and the 19th century English novel. On our first evening two bottles of sherry were placed on the table and one copy of Endymion by Benjamin Disraeli, This was the beginning of my architectural education at Cornell.

As all readers of this paper

will know Disraeli's novels were not imrelated to his political life. He was fascinated by social and political types and the motives by which they are activated. Rowe began to read Endymion aloud - a gripping tale of political and financial ambition - and slowly as the sherry slipped down began to draw parallels between the world of politics and the world of the Modern Movement in architecture. He saw that the political ambitions of architects extended to the reshaping of cities and homes in a way that had little to do with aesthetics or design. He told me that he would like to write a book, in the style of Disraeli, Who did what and to whom at the Bouhous.

That whole book never happened but the next night of my visit, when there were four bottles of sherry on the table, Rowe began to read an example of his own architectural writings - Collage City. This was the manuscript I wanted for Architectural Review. I was able to publish it much later that year but the process was not simple. The process is rather like his writing - any approach had to be oblique. We talked a lot about England because he clearly felt himself to be a neglected exile. He had been a very distinguished student at Cambridge but he

the developing world of Prof Leslie Martin who was beginning to turn out his particular brand of bland and mathematical modernists.

Cambridge was anathema to Rowe then and he was resigned to life on the remote campus of Cornell where he shone alone. He had been happier at Liverpool University where he certainly influenced architects like the late James Stirling.

Why I was interested in him so long ago and why I thought it was vital to try and publish his essay, Collage City, was because he was one of the very few tutors who had sensed, from his study of history, that much of the political ideology behind modern architecture was both suspect and communist. He loathed the idea of architecture being used as a form of social engineering. He warned against the cultural dangers of an ignorance of history and he was shocked by the wholesale destruction of cities that was carried out with such enthusiasm by the political/architectural alliance in the

1960s and 1970s. He is one of the few teachers who has seen how dangerous it is for architects to be educated totally apart from town planners. He has developed in his own teaching the urban design workshop where cities and their historic fabric are analysed and explored. Slowly his influence is having an effect.

There is an irony in the decision of the Riba to give the award to this man, who is now 75, because his name will be carved on a wall beneath so many of those whose work he has criticised and who represent ideas that he has been quietly despising for years. But that seems to be the way of the world of architecture. The belated recognition of this talented and sometimes inspired thinker about contemporary architecture is better than not recognising him at all. His ways and his writing are unique and I applaud his choice as the Royal Gold Med-

I continue to admire him but I have never touched sherry

Oh so frosty between snowmen

inter sports? Maybe arctic warfare

Europe's ski-resorts are currently a battleground for a war between the generations. The piste is disputed territory between conventional skiers and the in-your-face young exponents of snowboarding, a craze that shows signs of becoming the main event.

On Saturday the British snowboarding championships begin in Tignes, a venue much favoured by the aficionados of the single plank. It probably makes the resort a must-toavoid for anyone born prior to, say, 1970 and proud of their parallel turns. If you've been skiing recently you'll know about "riders", as they always call themselves. Snowboarding has its own vocabulary, as distinct as the social style that calls for spectacular leaps over

cafe tables or lift queues, and

baggy, "grunge" clothing. Sleek traditional ski-clothes in pastel colours are anathema. Fashion clash is one thing, but what really frightens and annoys traditional skiers is the speed, power and sheer out-of-control mass of a bulky young adult with poor manners and a fast board. "Some of them only know how to stop by crashing into a skier," growled one friend, just back from Switzerland. The most frightening moment on the piste is when vou hear a board behind vou." Like any tribal conflict, a

proportion of this is mere drum-beating. However. Alpine doctors confirm that being hit by a runaway board can produce injuries far worse that in an encounter with a rogue skier. Ruptured spleens or livers are not unknown, Boards are heavy and are hard to stop without the "snowplough option" for beginners. A decade ago in Australia the number of swimmers suffering serious head injuries from runaway surfboards became so great that beaches were segregated. Some ski resorts are now following the same "separatist" line, with the slopes divided between skis and boards.

The Austrian station of Saalbach Hinterglemm has overtake skiing by the year become the latest to follow the



open 24 hours and all is pro-

vided, including bunks for

overnighting. Ask your hotel

What are the quirks of the

Taiwan is institutionally

daunting, even hostile, to for-

eigners, but on a personal level

the Taiwanese are tremen-

dously friendly, flexible, gener-

for recommendations.

local business culture?

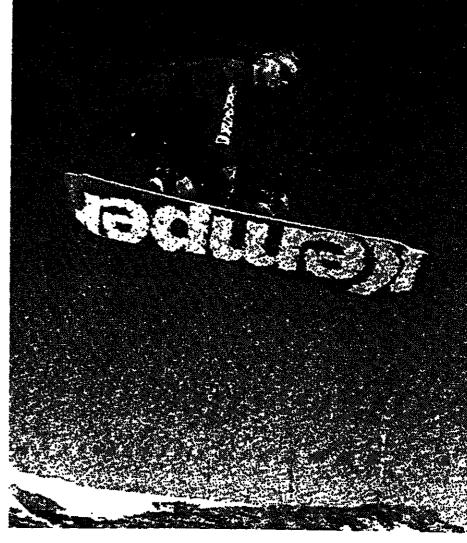
KEITH WHEATLEY

trend, by excluding skiers from 12km of its best piste. Safety is the ostensible reason but one detects an economic backdrop here. The plain fact is that skiing has gone exgrowth. Fewer people ski than a decade ago, whereas snowboarding is exploding with

new participants. Some observers say this downhill apartheid, pioneered by the French resort of Avoriaz, is unnecessary, formalising the split between the two disciplines and making it worse. Skis and boards have differing speeds and radius of turn, but with more co-operation then co-existence would be possible say the experts. Encounters that end in hospital are still mercifully rare. Really it is a culture clash.

Snowboarding grew out of surfing and skateboarding, both very much "street-sports" with a heavy fashion element, rather than the decorous middle-aged, middle-class world of the skier. Anyone who doubts the gap should catch an episode of Channel 4 television's show Board Stupid, devoted to the new sport. The ethos is more MTV on Snow than the BBC's conservative Ski Sunday. The two black presenters sported heavy dark glasses, dreadlocks and every other word is "bro". It was amazing that Janet Street Porter, high priestess of "Yoof TV" wasn't credited as producer.

The programme announced that Board Stupid was "gnarley" - board-speak for challenging - and "the coolest thing since winter was invented." The official equipment industry prediction that boarding could numerically 2000 was revelled in.



In-your-face on the piste: snowboards 'flash by looking like God and make skiers feel old'

Jake Burton Carpenter, the Jacket £135.99 and Viper Pants American who made the first boards in the mid-1980s and is now the world's top manufacturer recalled the days when he and his friends had to go clandestinely snow-boarding at midnight, aided by sympathetic drivers of snow-grooming machines. "It's going to be bigger than skiing inside five years," he said. You couldn't bring wooden racquets and long pants back to tennis, he added

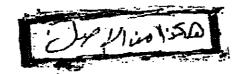
"The hostility comes because it's new and because it is so heavily a youth thing,' explains Francis Body, manager at the London specialist retailer Snowboard Asylum. Dull brown outfits on the shop rails have names like Killer

£127.49. "It makes them [skiers] feel old because they've spent years refining complex techniques and then someone on a board flashes by looking like God, after two just two weeks practise." Body points out that a skier

has four separate items to coordinate, in a very complex series of moves. "Snowboarding is easier to learn, faster to learn and the initial technique sees you right through from beginner to expert. Surely one of the drawbacks of skiing is that as soon as you've learned one kind of turn, your instructor tells you to forget it and takes you up to the next level

of complexity." Those friends who have actually tried snowboarding talk of a learning curve as steep as the Valle Blanche, the terror of entering a frictionless world running on ballbearings, a universe of high-speed and no brakes. It doesn't sound like the death knell for Zermatt or Klosters but one should never forget that the British virtually invented modern downhill skiing and their appetite for uncomfortable holidays matched with rigorous self-improvement unmatched.

To put it in personality terms one could imagine the Princess of Wales on a snowboard but never Prince Charles. And which one is the world-wide media icon?





Verdi may be synonymous with La Scale, but "Stiffelio" - his ra about a priest with an Bidulterous wife - has never beer opening night of Elijah Moshinsky's production on Wednesday is an event of some production, first staged two years

two-week Strauss ago at London's Royal Opera, will be conducted Saturday includes new production of Italian meestro "Friedenstag", plus Gianandrea repertory performances of including José Carreras *Der Rosenkavalier left) and Kallen

After 40 years of isolation under the speaking Switzerland has organised a major tribute to Le Corbusie Dresden is trying to to mark the 30th association with the anniversary of his music of Richard Strauss, several of whose best-known operas were premiered there. A

stival opening on

"Salome", "Elektra"

death. Born at nearby La Chaux-de-Fonds in won international renown as an architect - but his ocuvre also embraced painting. sculpture, tapestry and poetry. The Musée de Payeme has mbled a wideranging selection, including privatelypreviously seen in public. The exhibition

PAYERNE

This town in French-

City of Birmingham Symphony Orchestra take their "Towards

Germany, The tour

concerts in Vienna's

ollowed by Linz,

Munich, Nuremberg innsbruck and

Tippett's "A Child of

Konzerthaus,

Bregenz, The programmes include

symphonies by

Vaughan Willems

Simon Rettle and the programmes of 1940s music to Austria and

Two major exhibitions open in Vienna this week. The Kunstforum has "New Objectivity in Austria*, documenting tic movement in art in the 1920s and 1930s (right), it includes 100 oil paintings and opens on Saturday. The following day, the Kunstlerhaus unveils "Buddha in India", which aims to illustrate the development of early Indian art from 300 BC to the lifth century AD. The show will include various renderings

"Blue Ball", Paul Godfrey's new play exploring the compulsion that sends astronauts into space, is premiered at the Cottesioe Theatre from Trursday. Godfrey also directs the production. which stars Nigel Terry.

of the Buddha, reflecting the art of

different regions and the changing concepts of Buddhism.



The troika behind Oscar winners

As Hollywood lines up to honour its players, Nigel Andrews talks to the gurus who teach acting to tyro stars

onight 20 people will hathe, dress up, anoint themselves, hire limousines and walk through flashlights; all to spend an evening fighting over four sticks of gold-painted metal.

The acting Oscars are the stuff of performers' dreams and the culmi-nation of their careers. But in honouring two men and two women each year. Hollywood also honours the scarce-sung people who put them there in the first place.

Yes, acting is tought: even in Tinseltown. In the land of overnight fame, chance charisma and everything else that militates against notions of "skill", there are still people quoting Stanislavsky and asking pupils to be a tree. Indeed in a movie age with little time for pinbrained pin-ups - even Tom Cruise must strut his actorly stuff in Born On The Fourth Of July or Interview With The Vampire - Hollywood increasingly values its two or three

One of these, Martin Landau, is in Oscar contention tonight: shortlisted for his performance as truelife horror star Bela Lugosi in Tim Burton's comedy about the movie world Ed Wood. (It opens in Britain next month.) Self-transformed into a mangy, glowing-eyed, flawlessly accented Hungarian, Landau should surely convert his Best Supporting Actor nomination into gold. (He won once before for Coppola's

Together with near-contemporary Jeff Corey and the younger Eric Morris, Landau forms part of a troika of modern Hollywood teach-

Bright-eyed and bushy-bearded, Morris was Jack Nicholson's taught top character actors like Harry Dean Stanton. Most proudly, he won Arnold Schwarzenegger his first and only acting award - a 1976 Golden Globe for Most Promising Newcomer in Stay Hungry.

Morris's method was to get Arnie to laugh, cry, talk about his childhood, dialogue with his imaginary parents, free up his psyche: all over an intense 12 weeks. "Arnold could play anything," says Morris today. "He could play King Lear." I look sceptical. "Oh yes! But he made a career choice. After Conan The Barbarian, when he had a lot of success with action-adventure, he decided he didn't want to go through the darkest part of the forest."

Removing inhibitions - "the damage caused by growing up in our society," he calls it - is Morris's Laingian agenda. He supports it with a frightening amount of documentation. "When I left Marty (Landan's) class I had three or four techniques. I now have 27. This ple-shaped thing here which says Being, Irreverence and Ultimate Consciousness" - he opens one of



Actor-teacher Martin Landau (left, with Johnny Depp) is himself shortlisted for an Oscar tonight for this performance as the true-life horror star Bela Lugosi in Tim Burton's comedy about the movie world. 'Ed Wood'

his books at a giant diagram - "is the philosophical underpinning of

watched him apply it with a class of young students. Up on the stage of Morris's tiny theatre school they laughed, wept and raged; they imitated birds, lions, monkeys; they gave primal screams which sent my tape-recorder's red lights soaring into hyperspace. An alert Morris sat at the side, prompting techniques. "Do a 'Vesuvius' (blowing your top). Do a 'Litany of woes' (counting your miseries). Do an 'Abandon-

Morris vehemently denies that his system is psychotherapy by another name. "I've spent ten years fighting that stigma. No. It's simply like peeling an onion; you take away one layer at a time of lifelong condi-

sively free.' Martin Landau agrees with the principle if not the procedure. "My method's less Biblical than Eric's. I don't believe in the psychoanalytic approach. It's not important 'Why', but 'How.'

"What you try to do is free the actor by pushing him into areas he shies away from. Some actors have great physical tension, so you work on getting the voice and body together as a unit. I inherit the Lee Strasberg idea of being 'sensorily alive;' of responding to the stimuli around you, even if they're imagi-

For his own performance as Lugosi in Ed Wood, the "stimuli" were half forbidding, half exotic.

tioning and habits that have "He was a morphine addict as well blocked people from being expressions as an alcoholic for 20 years. In addition I had to play him with an accent and a different look. I couldn't walk like myself, gesture

like myself, sound like myself." He did what he tells his pupils to do. Broke himself down, physically and behaviourally, exposed himself to the "stimuli" (poring over old Lugosi films and recordings) and then re-built or re-tuned himself for the part. "An actor should be able to pick up any piece of material and work with it, the way a classical musician does. At film-scoring sessions musicians haven't seen the music but in 20 minutes they're

plaving majestically." Jeff Corey pre-dates Landau and Morris, having conducted his first verted my garage into a little theatre," says the gaunt teacher and character actor, who has graced several films as sinister tramp or Rasputin-like eccentric (In Cold Blood, Little Big Man). "There were Roger Corman and Jack Nicholson and Richard Chamberlain and James Coburn, Jimmy Dean sat in sometimes. And one day I wrote on the blackboard, right as it came

into my head, the words, 'Teach people, not things."

Even more than Landau, Corey decries psychobabble. "I don't poke about with anybody's mind." Unlike both his fellow teachers - and an entire generation of Method-descended actors - he also demurs at "sense-memory": that technique by which actors use reference points in their own lives to summon up emo-

tions for their characters. Corey once played King Lear on stage. "Lear has three daughters. I have three daughters, in my life. I didn't think of them, I thought of Regan, Goneril and Cordelia."

His "method" is to create a deep-ly-imagined subtext for every character: one that may run contrary to the surface meaning of the lines. A girl student had rehearsed a speech for him that morning from Shaw's Saint Joan. "I told her it was too damn noble. I got two big guys to force her to the floor and said, 'Now do it'." When Kirk Douglas came to consult about Spartacus, Corey recalls: "He was playing the great leader with a lot of panache and I said, 'you're a slave from generations of slaves, what do you know about leading? You should be strug-gling to find a leader's voice and actions.' And he said, 'By God,

e also helped Jane Fonda struggle with her Depression-era marathon dancer in They Shoot Horses, Don't They?. "She came to me feeling very down about the part. I had her describe the setting to me and she told me of this ballroom with its big glass ceiling, and she mentioned there were two panes of glass missing. I said, 'You've given up hope of people helping you. All through the film, don't look at people, don't focus on them, look through them. And once in a while look up and search for succour and aid from this faraway source beyond the broken glass." She did; she does. Look at the video today.

Perhaps memorable performances are the result of losing inhibition, of feeling free. Eric Morris recalls one of all in modern acting. One student he knew had spent over a decade giving indifferent performances in films with titles like Cry Baby Killer and Back Door To Hell.

"Jack Nicholson was going through a divorce, he was in my class, very depressed, and I said 'What's the matter, man?' He said, 'What's it all for, Eric? What are we killing ourselves for? What does it all mean? I put my arm round him and said, 'Man, you've been in the business 15 years, you've gotta hang in there. One day you're gonna make it.'

"Well, he got the the role in Easy Rider on a fluke, because another actor (Rip Torn) wanted too much money. The director Dennis Hopper didn't even want Jack. He was on the point of giving acting up, and when he did the film I honestly don't think Jack gave a damn. He said, 'Screw this' - and he released his talent.

"After that he started to trust himself and to take risks; today he's one of the most courageous actors

Thomas Hampson

Honeyed tone aplenty

As the fortunes of the other concert-halls in London wax and wane, the Wigmore Hall shines forth as ever, the strength of its programming undimmed. It must be the excellence of the acoustics that is in part the draw for the world's leading singers, as there are few venues of this size anywhere else that can claim such a stellar array of vocal recitals.

There is no question that Thomas Hampson is one of the great voices of today. At the end of his recital on Friday he noted his pleasure at being back at the Wigmore, though he of all singers has no need of the warm bloom with which its acoustics flatter lesser voices. He pours out honeyed tone as if it is some divine nectar on limitless supply from the gods. When more volume required, the voice grows effortlessly larger, there is no strain or constriction, no sense that he might be pushing at all close to its limits.

Among baritone recitalists active at the moment, Hampson's singing is the most plush. With Bryn Terfel from Wales and Boje Skovhus from Denmark coming up, not to mention the native German speakers like Andreas Schmidt and Wolfgang Holzmair, there is almost an oversupply of first-rate baritones among the younger generation. All, includ-ing Terfel and Skovhus, have a good command of German; all have expressive and beautiful voices.

What characterises Hampson is the luxury quality of his voice - at once his strength and his weakness. With almost any colour at his disposal, from a delicate head-voice to a proudly resonant forte, he simply selects whichever shade is appropriapplies it generously. The effect is akin to being driven by a chauffeur in a Rolls-Royce: a marvellously luxurious ride and no effort at

The more gritty the songs, the more Hampson is likely to fall short. Both the Mahler song cycles that he included on Friday - the Kindertotenlieder and the Lieder eines fahrenden Gesellen - need more immediacy, a sense of gripping the song by the throat and shaking it to reveal its meaning. The very exaggerated accompaniments of Wolfram Rieger, at times bringing the music virtually to a halt, did not help. A selection of German settings by Grieg and Butterworth's Six Songs from A Shropshire Lad (a welcome gift from an American visitor) draw more on vocal beauty and were full of marvellous sounds. The pastoral tenderness of the Butterworth probably represented the best of the evening: has English song found a new

Richard Fairman

INTERNATIONAL

AMSTERDAM

GALLERIES Stedelijk Tel: (020) 5732 911 Alfa Romeo: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo cars from the early part of this century to the most recent models: to Apr 2 OPERA/BALLET Het Muziektheater Tel: (020) 551

 Schoenberg Trilogy: new productions of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" and the first time these three one-act operas are playing in one performance. With David Wilson-Johnson, Isoldè Elchiepp and conductor Winfried Maczewski; 8pm; Mar 28

BERLIN

OPERA/BALLET Deutsche Oper Tel: (030) 34384-01 Der Fliegende Hollånder: by Wagner, Conducted by Heinrich Hollreiser, production by Gustav Rudolf Seliner, 7.30pm; Apr 2

 Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viottl and produced by Filippo Sanjust; 7.30pm; Mar 29 (8pm) ■ Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 30 (7.30pm) The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 31 Staatsoper unter den Linden Tel: (030) 200 4762

 Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Mar 29

■ FRANKFURT

CONCERTS Alte Oper Tel: (069) 1340 400 Kirov Orchestra St. Petersburg: Valery Gergiev conducts Stravinsky and Tchaikovsky; 8pm; Mar 30 GALLERIES

Arte Gjani Tel: (069) 97 58 37 88 Le Corbusier: famous for his architecture, Le Corbusier also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1964; to Mar 31

■ LONDON

CONCERTS Barbican Tel: (0171) 638 8891 Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra to play

Schumann and Boulez: 7.30om; Mar

 Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Beethoven and Strauss; 7.30pm;

 Vienna Symphony Orchestra: with planist Rudolf Buchbinder. Nikolaus Hamoncourt conducts Haydn, Mozart and Beethoven; 7.30pm; Mar 31 Royal Festival Hall Tel: (0171) 928 8800

· Royal Choral Society: with the English Chamber Orchestra and soloists Susan Gritton and Michael George. Richard Cooke conducts Saint-Saëns and Brahms; 7.30pm; Mar 2R Royal Philharmonic Orchestra:

with pianist Radu Lupu. Marek Janowski conducts Schumann, Beethoven and Brahms; 7.30pm; GALLERIES Serpentine Tel: (0171) 402 0343 Take Me (I'm Yours): a unique

exhibition that has been selected by Swiss curator Hans Ulrich Obrist; to May 1 OPERA/BALLET English National Opera Tel: (0171)

632 8300

opportunity to touch, use, test, buy

take away the objects in this

 Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 29, 31 Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 28, 30 Royal Opera House Tel: (0171) 304

 Salome; by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 29, 31 Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Mar 27; Apr 1

classes in the early 1950s. "I con-

■ LOS ANGELES CONCERTS

Dorothy Chandler Pavilion Wiggleworth's Debut: with planist Lars Vogt. Mark Wigglesworth conducts Beethoven's "Piano Concerto No.2" and Shostakovich's "Symphony No.7" on his debut performance with the Los Angele Philharmonic; 8pm; Mar 30, 31; Apr 1, 2 (2,30pm)

■ NEW YORK CONCERTS

Avery Fisher Tel: (212) 875 5030 New York Philharmonic: with soprano Sylvia McNair, beritone Hakan Hagegard and the Westminster Symphonic Choir, Kurt Masur conducts an evening of choral music by Brahms; 8pm; Mar 29, 30, 31; Apr 1 OPERA/BALLET Metropolitan Tel: (212) 362 6000

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 30 Pelléas et Melsande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine: 8pm: Mar 27: Apr 1 Tosca: by Puccini; 8pm; Mar 29; Apr 1 (1.30pm)

New York City Opera Tel: (212) 307 4100 La Traviata; by Verdi. A new production conducted by Yves Abel

and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/ Richard Drews; 8pm; Mar 28; Apr 1 (1.30pm)

■ The Merry Widow: music by Lehár, English book adaptation by Robert Johanson. Conducted by Eric Stem, directed by Robert Johanson; 8pm; Apr 1, 2 (1.30pm)

PARIS OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40 Peter Grimes: by Britten, A new production by Adolf Dresen with deffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 28, 30; Apr 2 (5pm) Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

 The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 29, 31

■ VIENNA CONCERTS

Gesejischaft der Musikfreunde Tel: (1) 505 1363 Weiner Symphoniker: Sir Georg Solti conducts Kodály, Bartók, Weiner, Berlioz and Beethoven; 3.30pm; Apr

WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467

460n National Symphony Orchestra: with pianist Barbara Nissman, Barbara Yahr conducts Kemis,

Prokofiev and Rachmaninov; 8.30pm; Mar 30, 31 (1.30pm); Apr 1 Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chality conducts Berg, Beethoven, Stravinsky and Prokofiev; 8.30pm; Mar 31 OPERA/BALLET Washington Opera Tel: (202) 416

7800 Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk, Conductor Cal Stewart Kellogg. In French with English

surtities; 8pm; Mar 27 (7pm), 30; Apr 1 (7pm)

Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 28, 31

THEATRE Arena Stage, Fichandler Theater Tel: (202) 488 3300 I am a Man; directed by Donald Douglas. Recreation of the Memphis garbage workers strike of 1968 and

the civil rights movement; 8pm; to Apr 9 Kennedy Center Tel: (202) 467 4600

 The Art of the Samurai: a two-part programme that includes a demonstration of Samurai sword fighting and a performance of Akho-Gishi, a Japanese historical drama from the Edo period (1600-1868) directed by Takashi shiguro; 7pm; Mar 27, 28 Washington Shakesp Company Tel: (703) 418 4808

A Streetcar Named Desire: bv

Tennessee Williams, Christopher

Henry directs; 8pm; to Apr 15

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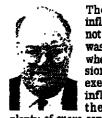
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Toniaht

Samuel Brittan

The future of the inflation target



The British inflation rate is not as low as it was a year ago when the recession was still exercising an influence and there was

plenty of spare capacity. But it is still in the area of the government's inflation target. The task is more to keep it there than to get it down it much

These fairly optimistic facts are well disguised by a headline Retail Prices Index, which is boosted by including mortgage rate increases specifically imposed to keep inflation in check, and by indirect tax increases designed to put the public finances in order. The headline index, showing an increase of 3.4 per cent over a year ago, much exaggerates

The Central Statistical Office has for some time been publishing an index of underlying inflation (RPIX) which excludes mortgage interest payments. It is in terms of this that the government inflation target is expressed. But a still better insight can be obtained by looking at RPIY, which also excludes indirect taxes. It was by the Bank of England, but the CSO has for the first time incorporated it

into its RPI press release. By itself the annual increase in RPIY somewhat flatters British inflation performance because (in common with all other variants of the RPI) it is not seasonally adjusted and comparisons have to be made with a year ago. I have therefore plotted in the attached chart a seasonally adjusted rate estimated by Goldman Sachs. This shows a three months annualised RPIY

increase of 2.2 per cent. As a further check, there is the Goldman Sachs own core rate which, on a similar basis, shows an inflation rate of 2.8 per cent. Averaging these out, the inflation rate comes out at about 214 per cent, that is at the mid point of the government's 1 to 4 per cent range. A less favourable impression is given by producer prices

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Madrid

Paris

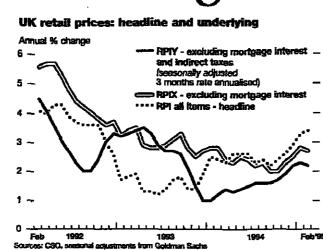
Roma

Torino

Wien

Stockhalm

Helsinki/Helsingfors



say, 0 per cent to 3 per cent.

A much better procedure

would be to announce a defi-

nite target. The obvious one

would be 2 per cent. This has

the advantage of being some

where near to the rate now

obtaining, although providing

a little room for improvement.

A 2 per cent rate also repre-

sents the maximum amount by

which inflation might be exag-

gerated on account of the diffi-

culty that statisticians have in

taking account of quality

If he came out with a single

figure, the chancellor would have to explain that there was

no chance of achieving it year

in, year out, and that some tol-

erance would be required on

either side. The important

point is that 2 per cent should

be taken seriously and that if

the actual rate drifted up to

say 3 or 4 per cent it would be

an objective to bring it back as

Should further adjustments

be made to take into account

output and the business cycle?

The nominal GDP objective.

which I am glad Labour is con-

sidering, is a much more strin-

gent anti-inflationary strait-

jacket than many on the left

realise. Moreover any move to

nominal GDP or any of its vari-

ants should be presented as a

refinement of the inflation tar-

get. There have been so many

bewildering shifts between one

kind of target and another that

a measure of continuity is

important if credibility is to be

gained and retained.

soon as possible.

on a seasonally adjusted basis, have been rising by 5 per cent per annum, reflecting higher world prices of components and materials. But the producer index is heavily biased towards manufacturing. If policy changes were to be triggered more by actual inflation, and less by forecasts, it will be best to stick to underlying consumer price inflation. Sterling can then come in directly as an independent input into interest rate decisions

Meanwhile, the government is studying how to update its 1 to 4 per cent inflation target. Originally Mr Kenneth Clarke, the chancellor, had in mind a new target for the next parliament. But there is a growing feeling that he cannot wait that long and a new target might be announced as early as the Mansion House speech this year.

The problem arises because the previous chancellor, Mr Norman Lamont announced, and Mr Clarke reaffirmed, the objective of getting to the bot-tom half of the range, that is 1 to 21/2 per by the end of the present parliament. This had the side effect of narrowing the effective band unrealistically. The question is how to widen the effective band without giving the impression that the government would settle for 4 per cent inflation. The odds at the moment favour the least imaginative solution, which is reinstating a wider band but lowering it a notch to,

loans institution in Newark, New Jersey this month should have marked the end of one of the biggest financial flascos in US history. Disposing of the branches by auction accounted for the last of the 745 failed S&Ls, the collapse of which in the late 1990s

and early 1990s is estimated to have cost US taxpayers \$150bn. The Resolution Trust Corporation, set up by Congress to clean up the mess, finishes its allotted lifespan at the end of this year. As 1996 dawns, the S&L crisis will be history.

The sale of the remain-

ing branches of a

defunct savings and

Until the next crisis, that is, The US's savings and loans institutions which, like UK building societies, generally take retail deposits and lend against residential mortgages face a difficult future. Unless Congress acts to prevent it.

another crisis could already be brewing. And even if the worst predictions prove unfounded, the S&Ls - also known as "thrifts" - are likely to face a steady decline. It was a failure to change

that undermined the industry in the early 1980s, in part because successive US administrations had chosen to use the S&Ls as an instrument of housing policy, restricting their ability to expand into new markets. Disaster came in two stages.

First, the jump in US short-term interest rates from 1979 to 1982 revealed the thrifts' unmanageable exposure to the relationship between short-term and long-term rates. With their blend of short-term deposits and long-term, fixed-rate loans, they were thrown into loss. Second, in a belated and misconceived attempt to repair the damage. Congress enacted sweeping deregulation, paving the way for a wave of risky commercial property invest-ments by the S&Ls and out-

right fraud. The thrifts that survived have gone back to basics. Between 1989 and the end of last year, home lending rose from 61 per cent to 70 per cent of their assets. But the sins of the past, and the industry's own much-reduced circumstances, are again combining to undermine S&L business.

Part of the problem stems from the last clean-up. The thrifts that remain (healthy. well-managed ones that were not responsible for the mess) have been left to service \$8bn of bonds issued in 1987 as part of an early, botched bail-out attempt for their less success-

Almaty

Johannesburg

US thrifts face further trouble after resolving the \$150bn fiasco of the 1980s, says Richard Waters

Saved – for the time being

ful competitors. That alone will cost them \$780m a year for the next 24 years.

Also, they have to rebuild a deposit insurance fund which just two years ago had no assets at all (as with banks, the first \$100,000 of a thrift depositor's money is guaranteed by a federally backed insurance fund which is financed by levies on the industry).

According to the US General Accounting Office, the cost of servicing the bonds and recapitalising the insurance fund amounts to around \$14bn. in current dollars. That is equivalent to a quarter of the equity base of the country's 1,500 remaining S&Ls.

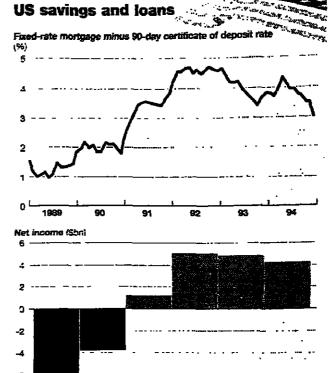
To look at it another way. thrifts last year made after-tax profits between them of \$4.3bn. The cost of servicing the bonds and paying insurance premiums (before tax) was \$1.8bn.

This large liability is being borne by a shrinking industry. When Congress cooked up its S&L bail-out in 1989, it expected the deposit base of the S&Ls to grow by about 7 per cent a year. In the event, it shrank: deposits last year totalled just \$710bn, a quarter less than at the end of 1989.

The screw is about to be tightened. On present projections, it will take thrifts another seven years to complete the recapitalisation of their deposit insurance fund. The banking industry, on the other hand, will have rebuilt its own insurance fund by the middle of this year. The insurance premiums paid by banks will drop sharply, saving them some \$5bn a year in premiums and enabling them to compete

The difference could be big enough to make people cross the street to put their money in a bank rather than an S&L. Banks' insurance premiums will drop, on average, from 24 basis points (or 0.24 percentage points) of their deposits to 4 basis points. Thrifts will still pay 24 basis points - and even after their insurance fund is recapitalised, the servicing of long-term bonds will continue to cost them

more aggressively for deposits.



11 basis points a year. Some of the country's biggest thrifts may have found a way to wriggle out of this tight corner. They cannot escape simply by giving up their thrift charters and turning themselves into banks. However, six

1989

Even if the worst predictions prove unfounded, the S&Ls are likely to face steady decline

institutions - including the two biggest, Ahmanson and Great Western - have this month applied for licences to set up banking subsidiaries. They then plan to encourage thrift customers to shift their deposits across, into these new, lower-cost units. By threatening a sudden ero-

sion of thrift deposits - and with it, the likelihood of a default on the \$8bn of bonds these thrifts have injected an added urgency to the debate brewing in Washington. The bank applications may just be a bluff - they would lose some tax advantages, for instance but can Congress afford to wait

The S&Ls hope to persuade either banks or taxpayers to come to their rescue, "Someone is going to have to come up with the money. There is no way around that central fact, as painful as it may be," says Ms Ricki Tigert Heifer, head of the Federal Deposit Insurance Corporation, which manages both the thrift and bank insurance funds.

Paying up to \$14bn for what will be seen as another thrift bail-out will not play well with Congress - particularly given the political heat generated by

the US contribution of \$20bn to the latest bail-out for Mexico. Most solutions being touted involve splitting the costs in some way between taxpayers. thrifts and banks.

Even if a solution is found to the costs of insurance and of servicing the bonds, the future for thrifts is clouded. The problem is competitiveness. As an industry, S&Ls made a return on assets last year of 56 basis points - less than half the 115 basis points of commercial

That reflects in part the lower risks (and therefore lower returns) associated with residential mortgages, as well as the fact that a disproportionate amount of thrift lending - about a quarter - is in California, which only last year moved out of recession. However, the low profitability also reflects lingering interest rate exposures and a failure to cut costs in a mortgage business which has changed out of all recognition since the beginning of the 1980s.

espite the growth of variable-rate mortgages, thrifts con-tinue to rely largely on short-term deposits to fund long-term, fixed-rate mortgages. Since 1992, the US yield curve has flattened, eating into the industry's profits.

Nor do American use thrifts as much as they used to for buying or building homes. In the two decades after the second world war, the assets of the thrifts grew at a rate of 15 per cent a year, three times as fast as those of the banks. But many of the next generation, "baby-boomers" of the 1960s, used banks or other lenders - insurers such as Prudential, or specialists such as Countrywide Credit, the US's biggest mortgage lender which muscled their way on to the thrifts' turf, in part by finding cheaper ways to reach customers. Many of these loans were repackaged as securities and, stamped with the guarantee of Fannie Mae, a federally backed agency, pumped on to the capital markets. In the past 15 years, the market for mortgage-backed bonds has grown from \$25bn to \$1,600bn.

The creation of alternative low-cost sales outlets and hightech capital markets does not necessarily spell the death of the 164-year-old thrift movement. There will always be a place for institutions which can show a friendly face to local depositors. But their already diminished place in the financial system could shrink much further.

THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languag

Cultural waste on French TV

From Mr E.J. Hartley. Sir, While your split photo-graph of Messrs Gerard Depardieu and Arnold Schwarzenegger ("France defends cinematic legacy", March 22) may have crudely illustrated the supposed cultural divide between the European and American film industries, it can hardly be applied to their television industries which the 1990 directive

French television is awash with crass and formulaic sitcoms which surely not even the most rabid anglophobe could claim bear any relevance to French (let alone "European") culture.

Depending on your definition of culture, would it not be more constructive to promote quality programming (irrespective of its origin) over cheap and shallow "comedy"? Or would Europe's TV channels consider such a challenge

to be "impracticable". Eric J Hartley. 32. rue J Hansen L-1716 Luxembourg

Right choice of world's bosses proper perspective. It has been

From Mr Paolo Galli.

Sir, I could not agree more with your editorial "Choosing the world's bosses" (March 23). There is a need to find more effective - and less divisive ways to appoint the leaders of the multilateral organisations that shape the destiny of our

mutual relations. As the dust settles on the World Trade Organisation leadership I hope it will be possible

where the merits of the respective candidates have played second fiddle to claims of their being the champions of adversarial regional interests. Perhaps the time has come

a messy campaign indeed,

to say that in choosing Mr Renato Ruggiero the WTO has simply opted for the best man, the one with the highest political skills and technical expertise.

regional background national identity and all to do with his outstanding personal qualities and professional experience.

Realising this fact would greatly contribute to setting the WTO on the right foot from the very outset. Paolo Galli, Italian Ambassador,

Italian Embassy, 4 Grosvenor Square. to place the issues in their | This has nothing to do with his | London W1, UK

Skills supply will match growth

From Mr John Redwood, MP. Sir. There are two points I would make about the concern recently expressed in your paper about the supply of manufacturing skills in Wales ("Panasonic desperate for better recruits in Wales". March

First, the issue must be kept in proportion. The 1994 Welsh Employers Survey found that about 5 per cent of manufacturing establishments in Wales had vacancies that were hard to fill due to a lack of skilled applicants.

been giving top priority to addressing the issue. As a result. Wales is well in the lead in terms of the number of young people entering modern apprenticeships in manufacturing engineering.

We are investing heavily in the latest engineering equipment for our further education colleges, and I have given Training and Enterprise Councils a clear remit to help employers work with schools to encourage talented young people - girls as well as boys to make their careers in manu-Second, I have for some time | facturing.

The strategy I published last week. People in prosperity - an agenda for action in Wales, sets out a concerted action plan for manufacturing skills ("Skills upgrading planned for Wales". March 21).

Your readers can be assured that the supply of skills will keep pace with the continued growth of manufacturing in Wales. John Redwood,

secretary of state for Wales. Welsh Office. Gwydyr House, Whitehall, London SWIA 2ER, UK

Criticism based on setting up a straw man to knock down return as companies try to lock

From Mr Will Hutton. Sir, It is no surprise that Martin Taylor should rush to the defence of the British financial system in his review of my book, The State We're In ("Search for a new economic orthodoxy", March 16), but in doing so he sets up a straw man to knock down. The actual criticisms I make and the advocacy of the merits of an "insider" rather than "outsider" financial system deserve

a more considered response. Of course volatile inflation has contributed to investment institutions and companies alike valuing high immediate they will be sold. The impact is competitive advantage. Indeed, cashflow which the book to raise required rates of a majority regard the short-

accepts (pages 164-5). My argument is rather that, even with a low and stable inflation rate, the City will still demand higher real returns over a shorter period than other industrialised countries' financial systems - as it has done most of this century. Whether investing institu-

tions have long-term liabilities or not, shares in the UK are not seen as tokens of committed relationships. Rather they are regarded as tradeable assets entitling the owner to an income stream that had better rise over time - otherwise

in uncommitted shareholders they fear might provoke the sanction of takeover. The "tendentious" statistics that show how high target rates of return have become are tendentious only to those who find the results unpalatable.

It is true that some voices in Germany urge more use of equity capital, but they do not want to create a British-style takeover market or the highmargin, short-term commercial banking practised by our clearing banks, which they see as an important source of German

part of what the Germans call "Manchester liberalism", that Martin Taylor himself recognises has gone to far.

The "shocking naivety" is not my description of Germany, but Martin Taylor's apparent view that while British capitalism has gone too far in rejecting social values the financial system has played no part in this development nor should play any part in chang-ing it. This won't wash - and beyond the City it doesn't. Will Hutton,

assistant editor, The Guardian, 119 Farringdon Road, London ECIR 3ER, UK

7

Not for the Feelgood Index

From Mr W. Stanners. Sir. Here are three things which must not feature in the new Feelgood Index (Letters, March 21 and 23). Steady growth of gross

domestic product. Falling unemployment. A low, or even negative,

inflation rate. These figured strongly in the 1930s, the most feelbad decade of the century. W. Stanners,

49b Fen End, Over, Combridge CB4 5NE, UK

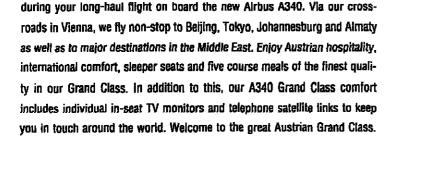
Mozart forever youthful

Sir, On the subject of Antony Thorncroft's comment about "the youthful Mozart's La Clemenza di Tito" ("New season at Glyndebourne". March 11), and the correction from Mr Daniel Salem (Letters, March 17) to | Leeds LS6 4BY, UK

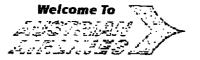
From Ms Margaret Wilkinson,

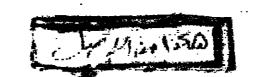
last opera, written only a few months before his death; Mozart was youthful until he died. aged 35. Margaret Wilkinson,

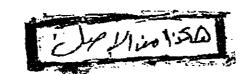
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FINANCIAL TIMES

Number One Southwark Bridge. London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday March 27 1995

Cool air at Berlin summit

Antarctica is cracking up. Insurers say they may no longer take on storm and tempest risk. These are potent omens for the summit on climate change which gets under way in Berlin tomorrow. But the likelihood that the 120 participating countries will agree on a new plan of action to deal with global warming is small. Does this matter?

The difficulty with the global warming problem is twofold. Although the scientific evidence shows clearly that man-caused carbon dioxide is clogging up the atmosphere, there is still enough uncertainty over the effect of this on the world climate to leave room for the doubters. The icebergs which are breaking off the polar ice cap may only be following some deep cyclical pattern which has been going on for mil-lions of years. Even the meteorological experts who are advising the summit admit to uncertainty as to the impact. This has forced many of those who advocate action to fall back on the precautionary principle which says that measures should be taken anyway, because energy saving is

good in its own right.
The other difficulty is that even if the world does face a real threat, it is in no mood to take concerted action. At the 1992 Rio Earth Summit, the industrialised countries only agreed with some difficulty to try and reduce carbon emissions to 1990 levels by the year 2000. Some, including the UK, will probably succeed. But many others will not. Several initiatives

to impose energy taxes in the EU and the US have foundered on political sensitivities and fears that they may reduce interna tional competitiveness, and there are no fresh ones on the table.

The Berlin gathering therefore faces the hurdles of scepticism and lack of political will. Participants will be challenged to keep the Rio commitments going and extend them into the next century by setting new targets. Mr John Gummer, the UK environment secretary, has suggested a cut of 5-10 per cent from 1990 levels. But few other industrial countries have shown much enthusiasm. And newly industrialising countries such as India and China, which committed themselves to no targets, are increasing their emissions by large amounts.

It would be disappointing, but

not disastrous if Berlin ends without agreement. Of the many environmental threats facing the world, global warming must rank among the more credible, if only because the increase in carbon dioxide levels is a clear scientific fact which is worrying. But it is not an urgent threat, and certainly not one that could overwhelm the human race's welldemonstrated ability to adapt to a

changing environment. While it would be encouraging to see such a large number of governments agree on the existence of a problem, it would be equally disturbing if costly measures on a global scale were adopted to com-bat a threat where the margin of uncertainty is still so large.

Blair mania

Some time before the next general election. British voters will take off their rose-tinted speciacles. The Labour party's policies will be subject to the critical and detailed examination which they have so far avoided. The sooner that happens the better, both for the country and, ironically, for the party eader, Mr Tony Blair.

The recent bout of what can only be described as Blair mania has done a disservice to the electorate. The Labour leader has rightly been praised for his determination to rid his party of the collectivist sentiments expressed in Clause 4 of its constitution. His alternative text is a perfectly respectable statement of social democratic principles. His belief that the policies which he presents at the election must be grounded in a clear set of princi-

ples is also right. However, the applause which has greeted some of Mr Blair's recent statements belies their prosaic content. Thoughts which may be revelational, even shocking, to the left wing of his own party are not quite as novel to a wider audience. Many of the points heralded as innovative symbols of New Labour have long been selfevident truths for most voters.

A case in point is his recent Spectator lecture. Mr Blair stressed that citizens in a civil society have duties as well as rights. Taking as examples, he said that parents who refused to prevent their children absconding from school should be punished. if necessary, in the courts. Noisv

behaviour. These sentiments were greeted by some as evidence of a dramatic pitch to win over the middle classes. In fact, Mr Blair did no more than describe the normal standards of behaviour which should apply across society. Tone and emphasis do count in

pelled to respect the rights of

those affected by their anti-social

politics. Rhetoric can carry a deeper message about subsequent policies. But principles and symbolic commitments are no longer enough. To return to Mr Blair's own examples: strong words on truancy are no substitute for a coherent schools' policy, and the promise of tough action against anti-social neighbours will not solve the problems of Britain's decaying council estates.

There are other gaps. Labour condemns the health service reforms but offers no credible alternative. Mr Blair promises a referendum on electoral reform, but sidesteps questions about the terms on which such a vote would be held. The party says it is committed to the market economy. but has yet to sketch the outline of its macro-economic strategy.

Mr Blair's answer to such criticisms is that Labour will set out its policies in good time for an election in 1997. That is no reason for others to be satisfied with such a leisurely pace. The voters are entitled to time to analyse the detail. Labour also would profit from the thorough testing of its policies; and, as Mr Blair himself has emphasised, it is possible that the election could come sooner

Bank job vacant

job opening. The abrupt departure from office of Mr Rupert Pennant-Rea, deputy governor of the Bank of England, leaves the government the task of finding a replacement. There is no shortage of candidates, both inside and outside the

Bank. In choosing between them, Mr John Major and his advisers must think clearly about what the job really requires.
First, though, they must resist

the temptation to play safe. Mr Eddie George, the Bank's governor, was scarcely consulted over the choice of Mr Pennant-Rea. This time, he can reasonably claim an influential voice in the decision. It would be a mistake, however, to settle for an inside candidate on the grounds of loyalty or predictability.

Mr George is himself a life-long employee of the Bank, and can provide all the institutional continuity it needs. As an outsider, Mr Pennant-Rea brought a fresh and reforming mind to the Bank's internal structure and operations. And, although there are many talented people inside the Bank, its long-term performance as monetary policy adviser and bank supervisor in recent decades has not been good enough to entitle its staff to a monopoly of the top jobs. To avoid any risk of a slide back into inertia, the deputy governor should again come from outside, from the private sector or from

elsewhere in public service. What qualities should he or she possess? A commitment to eliminating inflation is essential.

Primary and the second

Last week's upset is this week's together with the firmness of character to cope with the harsh choices that such an approach requires. The lead on this issue will be taken by Mr George, of course. His deputy must therefore possess complementary character istics, especially managerial skill and administrative patience.

Deputy governors have needed these qualities at least for the last century. The Bank's present duties, and the world in which it operates, make other strengths necessary too. Bank supervision is a clear area of difficulty. Three crises - at Johnson Matthey Bankers, at Bank of Credit and Commerce International, and at Barings - have all raised question marks over the Bank's perfor-mance. The new deputy governor should be able to make a significant contribution to the Bank's

supervisory activities. A good candidate should also have detailed knowledge of the derivatives markets - a theoretical grasp of the new techniques for analysing, segmenting and trading risk as well as practical experience of how financial insti-tutions are applying them.

Counter-inflationary commit ment, managerial skills, contribution to bank supervision, grasp o derivatives: it is a lot to ask. But running the central bank in an inflation-prone economy that also houses the world's most active international financial centre is no easy task. Mr George deserves the best possible deputy. The prime minister should make sure that is what he gets.

ess than nine years after old practices were swept away in the "Big Bang". ondon's Stock Exchange is being forced to make more changes. On one side, it is under assault from regulators who argue that its rules give it unfair advantages over competitors.

On the other, operators of lowcost competitive trading systems are attacking parts of the exchange's business and challeng-ing its exclusive franchise in share trading in the UK.

With regulators and competitors

snapping at its heels, the Stock Exchange is being forced to intro-duce changes in its rulebook to satisfy its diverse users. That process is being made more difficult by having to convince members that the changes which will eliminate some

of their privileges are necessary.

At Big Bang the exchange bowed to pressure from the Office of Fair Trading and opened membership to foreign banks and investment bouses. Now there is renewed interest in the exchange's practices from the regulators. Sir Bryan Carsberg, director-general of fair trading, last week issued a report concluding that marketmakers - businesses that commit their own capital to buy and sell large blocks of shares in all market conditions - enjoy "significantly anti-competitive"

An earlier report from the OFT criticised Stock Exchange rules which allow marketmakers to delay reporting the prices at which they have dealt in shares for up to five days. The report said the practice gave them an unfair advantage over non-marketmakers and investors by hiding the true price of shares from

Meanwhile, the Securities and Investments Board has raised similar questions about the equity markets, suggesting that London risks losing its status as the centre for international share trading unless the rules are changed. Privately, the Treasury has expressed similar res-

Mr Michael Lawrence, the exchange's chief executive, insists that there is already intense competition for share trading in London, and it is not up to regulators to determine how shares should be

He says: "I believe the market should determine its own structure and it should not be determined by regulators." However, he concedes that "there may have been a false perception that the exchange was constraining activity".

Pressure for change comes partly from technological innovation, says Mr Ruben Lee, director of the Oxford Finance Group, a consultancy. "It's making the costs of creating a trading system very cheap," he says. "It's allowing a

Fancy footwork to ward off blows

Norma Cohen on the competitive and regulatory pressures on London's Stock Exchange



multiplicity of trading systems to come into effect to meet the needs of different kinds of investors.

One of those seeking to enter the London market is TradePoint, a new electronic share trading system that would compete with the exchange for orders from investors and intermediaries. It would allow trading on an "order-driven" basis where the orders of buyers and sellers are matched via a screen rather than the exchange's "quotedriven" system, where those who wish to buy and sell must complete the deal through marketmakers.

Late last week. SIB met to consider the TradePoint application for designation as a recognised investment exchange. It is likely to be approved by late this spring, in spite of vociferous opposition from marketmakers. Institutional investors have qui-

etly chafed for years at the absence of such a facility, particularly for smaller and less liquid shares. But the marketmakers fear it will allow competitors to offer better prices and undermine the profitability of marketmaking. US and Swiss investment banks changes. They want a system in London more like those in their home markets and to which their skills and information technology systems are better suited. TradePoint is not the only poten-

have also been pressing for

tial competitor. Instinct, an exchange member, is keen to describe itself as a competitor to brokers, but is widely seen as a potential competitor for the exchange itself. It already offers an electronic bulletin board for those who wish to deal in shares and has asked the exchange to relax its rule that best prices be posted on Seaq, the exchange's electronic bulletin board, so that better prices can be displayed on its own screens.

The exchange's competitors argue that these new share dealing systems reflect commercial demand for different types of services. Mr Doug Atkin, chief executive at

Instinct International, says: "The London Stock Exchange structure best serves large, active fund managers." Big institutions say they value the liquidity that market-

making offers. But these are not necessarily the

needs of the foreign investment institutions - mostly from the US -that have flooded into London in recent years. They now own about 19 per cent of the exchange's market capitalisation, according to government statistics, and are the fastest growing category shareholder.

Many of the US fund managers, in particular, use "passive" indexmatching investment strategies that aim to mimic the performance of a stock index. Such managers "in most cases don't need immediacy and only care about low transaction costs," says Mr Atkin.

"The growth in share buying is not coming from the UK pension funds," says one Stock Exchange board member. "It is coming from US and European pension funds. If we are not capable of catering for them . . . then the future of the exchange is in doubt."

Competition is also increasing in the trading of international shares in continental European, US and Japanese companies. The exchange's Seaq International electronic bulletin board has been spec-

nificant amounts of business for UK marketmakers from other European exchanges such as Paris and Frank-furt. The European bourses are fighting back, however.

Competition from London has led continental exchanges to overhaul their electronic dealing systems to allow large batches of shares to change hands quickly. Mr Lee of the Oxford Finance Group says:

"Paris, Frankfurt and Amsterdam have all got their act together." In addition to competition in share trading, the London exchange faces challenges to its effective monopoly as the sole listing body in the UK. A group of venture capital-ists, stockbrokers and the US-based Nasdaq stock market have plans to launch Easdaq, a pan-European exchange for trading the shares of small companies.

Mr Lawrence argues that the exchange is ready to face these changes. Earlier this year, for example, it launched its plans for the Alternative investment Market for small company shares as part of efforts to fight off the challenge from Easdaq. Earlier proposals to create a market for small and innovative companies have been rejected by venture capitalists and small companies as inadequate. But the proposals for the alternative market have met with widespread approval for their flexibility and

regulatory provisions. More importantly, the exchange has decided to include an order matching capacity in Sequence, the new trading system which is due to replace Seaq next year. Mr Lawrence says Sequence will be the cheapest and most efficient sharetrading system in the world, ensuring that London retains its position as a leading share marketplace.

here remains doubt, however, over whether the exchange can move fast enough to fend off the competition - espe cially as the changes will weaken the position of marketmakers, its largest and most powerful members. They resisted the creation of an order-matching system, but it is widely believed that the threat of TradePoint encouraged their

change of heart.
"We are reacting to market forces," says Mr Lawrence. "An exchange is a commercial operation." If the Stock Exchange does not offer what its users want at an affordable price, then the capital will go elsewhere.

Mr Lawrence concedes that some

members "may not like the market forces, but you have to move with the times". London's position as a share-trading centre may depend on his ability to persuade his members of the need to change quickly

Republican revolutionaries still on top

Newt Gingrich's legislative agenda - the "Contract with America" - is dead. They did so after the Senate narrowly defeated the balanced budget amendment. They were tempted to do so again last week simply because opponents of proposed welfare reforms, aided by the Catholic church, worked themselves into a

lather of self-righteous indignation. Look behind the rhetoric, however, and you will see that the contract marches on. Mr Gingrich and his fellow Republican revolutionaries are still setting the political agenda in Washington. President Bill Clinton promised to "end welfare as we know it" but after two years had not persuaded either house of a Democrat-controlled Congress to vote on his reforms. In a matter of weeks Mr Gingrich

has made far more progress. On Friday the house passed the most sweeping reform of welfare in 60 vears. The Gingrich bill ends the status of welfare as an "entitlement", sets a five-year limit on receipts of cash benefits and devolves unprecedented powers to the states. It was widely applauded by state governors.

The house bill will undoubtedly

very few weeks partisan be amended. But the bottom line is that the US now looks certain to enact tough legislation aimed a ending a "culture of dependency". And the politician who will rightly claim most of the credit for this is Mr Gingrich, not Mr Clinton.

The victory on welfare is not the only sign that the Republican revolution lives on, The Senate last week made amends for rejecting the balanced budget amendment by passing another central element of the Gingrich contract: the so-called "line item veto" which will give Mr Clinton the power to delete individual items in spending bills.

That Congress is taking this historic step to limit members' ability to pad legislation with pork-barrel spending is a testament to the change in attitudes brought about by Mr Gingrich's elevation. It is, by any standards, remarkable that Republicans have voted to increase the powers of a Democratic president. Perhaps principles do have a place in politics.

Yet Gingrich and Co are having to weather a storm of vicious criticism. Catholic bishops denounced their plans to end cash welfare for teenage mothers, predicting that it would lead to more abortions. Democrats portrayed Republicans as heartless monsters for proposing



MICHAEL PROWSE on AMERICA

cuts in federal subsidies for school lunches and deployed predictable "class warfare" tactics to discredit planned tax reductions.

The only statistic that ever matters for Democrats is the proportion of relief likely to be received by the "rich", now defined as anybody with an annual income of \$100,000 or more (a category that last year included many skilled car workers). They succeeded in unsettling many conservatives: more than 100 of Mr Gingrich's Republican troops rebelled last week, demanding that tax relief be better targeted on middle-income families.

The reaction to the Republican contract is all too predictable. Whenever politicians have the temerity to propose even marginal

restraints on the growth of public should not need refuting. There is spending, opponents play the "fair- no reason why Washington should " carol it was largely de critics succeeded in depicting Ronald Reagan and Margaret Thatcher as mean and uncaring that neither could deliver on promises to "roll back the state". Mr Gingrich is now running into the same headwind.

He has made mistakes. The tax cuts were poorly designed and impossible to defend when the main goal is a balanced budget. It is also true that the spending "cuts" (Washington parlance for smaller than previously planned increases) fall disproportionately on lowincome Americans. But whose fault is this? Democrats have done everything possible to create a climate in which Republicans dare not trim the big "entitlement" programmes that benefit middle-income and affluent Americans.

Mr Clinton, for example, curried political favour by spinelessly putting entitlements off-limits in this year's budget. And congressional Democrats have shamelessly fanned fears that Republicans might raid Social Security pensions (this was how they defeated the balanced budget amendment).

The claim that anyone who wants to shrink federal government is heartless is so ludicrous that it

for the detail of welfare policy. If individual states favour bigger lunch subsidies they are free to provide them - at their own taxpavers Claims that Republican reforms

are anti-children are equally misplaced. Ending cash benefits for teenage mothers does not mean ending assistance; it means bringing them into group homes where they and their children can be supervised. More generally, the only way to prevent future generations languishing on welfare is to alter the incentives facing today's teenagers, harsh though this may seem.

Will Mr Gingrich be felled by the "fairness" argument? His poll rat-ings are falling. He certainly would not survive in Europe. But Americans - especially those in populous southern and western regions - are deeply ambivalent about government. When the dust settles I suspect most will conclude that house Republicans are moving in broadly the right direction. By sticking with the contract, they are at least doing what they said they would do. For the only judgment that counts, we must await next year's general election.

OBSERVER

Warner's bloods

Douglas Warner has moved quickly to place his imprint on JP Morgan. First came the axing of more than 1.500 jobs in the coming months, a most un-Morganlike

Now "Sandy" Warner, who took over at the top from Sir Dennis Weatherstone late last year, has shaken up the senior ranks. Most noteworthy is a move to shift power from New York to other parts of the globe. That reverses the centralisation underway for at least

the past five years.
Equally interesting, though, is the message it sends about who will fill Morgan's senior management chairs in the future. Warner has not as he promised - has done away with a level of executives just below the top. That leaves a wide group of people reporting directly to him.

Thus a triumvirate of older Morgan bankers – Thomas Ketchum, Walter Gubert and Peter Woicke – has been given a broad remit to build Morgan's business around the world. But intriguingly, a new group of younger bankers has been given greater leeway and all have been promised the chairman's ear.

Two of the younger bloods, now given broader roles, have been behind some of Morgan's most successful businesses in recent years. Nicolas Rohatyn, the 35-year-old emerging markets trader and son of Lazard banker Felix, will now run foreign exchange and commodity trading as well. And Peter Hancock, a 36-year-old Brit who has run derivatives, will now

capital markets. Warner's succes time comes - is as likely to be from this level as anywhere.

also take on fixed income and

Swede in Brussels ■ European Union newcomer

Sweden looks like getting the top civil servant post in the social affairs commission in Brussels. Sweden's former finance minister, Allan Larsson, is for it. A loval Social Democrat who ran Sweden's labour market board in the 1980s, Larsson is in Sweden's tradition of social corporatism. He should fit well into the EU commission as its director-general in charge of running the new social action programme.

He once was tipped for the top job at the International Labour Organisation but nodded it by as he didn't want to work outside

Since when has Brussels been seen as a great improvement over Geneva?

Ducking stoolies ■ Police in the east Caribbean island of St Vincent are creating a psychic fraud unit. The squad's task will be to combat complaints about the number of quacks among the

island's fortune tellers, voodoo

priests and witch doctors.

Psychic services are in heavy demand on St Vincent, with non-islanders recently arriving to get some of the business. The boys in blue have made several arrests. Can't wait for the trial: "It is alleged that your biting the heads of chickens has no effect. How do you plead - guilty. not guilty, or just temporarily indisposed?"

Let me squeak

■ Shareholder democracy may be underdeveloped in Germany - but shareholder loquacity is doing line. At last week's annual meeting of Metallgesellschaft – the Frankfurt company that nearly drowned in a sea of oil trading losses early last year - one persistent shareholder was taken out by security guards after he refused to leave when the microphone was switched off.

Ronaldo Schmitz, head of the supervisory board, had decided well into the night - that the time had come to stop the talking and start the voting.

In view of the high losses and the remaining questions about how they arose, shareholders had plenty of targets if they had chosen to aim But most shareholders made

rambling statements, in which their questions became bogged down amid the verbiage.
On the other hand, German agms

are not organised in such a way as to stimulate argument and spontaneity. Questioners usually speak from a podium and directors often only answer after several shareholders have spoken. All of which hardly conduces to a lively forum. But then, which board of directors ever wanted that?

Too yummy by far

■ Bought any 'Sublime Garden' brand Egyptian chocolate lately? It was perhaps too tasty; the brand's producer decided the best way of getting return customers was to put some addictive drugs into his bars. according to the daily newspaper Akhbar al-Yom. Police have arrested the owner, who might decide to plead guilty, on the basis that he's made rather a fudge of things.

Financial Times

100 years ago The Berlin Bourse

It is a wonder that the Berlin Boorse manages to survive at all after the quantity of fussy interference to which it has to submit at the hands of a too-grandmotherly Government. but it not only exists but thrives, A new Bourse Reform Bill is to be submitted to the Reichstag and, from what we can learn, it deals most minutely with every kind of Stock Exchange business, which bids fair to be as much hampered by rules as a German drill-sergeant.

50 years ago Trade negotiations

conditions in Italy.

Earlier this year staly approached Sweden with regard to a resumption of trade relations. Before the war trade between these two countries was very active, and in 1942 turnover amounted to as much as Kr.200.000.000. Sweden showed some interest in the Italian approach... Prospects for the resumption of trade are, however, regarded in cantions vein on account of the manifold transport difficulties and the more or less chaotic currency

China urged to 'control' foreign borrowings as debt costs grow

By Tony Walker in Beijing

18

China should heed the lessons of the Mexican financial crisis and further restrain foreign borrowing, which reached \$100bn at the end of last year, a senior Chinese economist has warned.

Mr Zhou Shijian, deputy president of the International Trade Research Institute, said China's debt-service ratio was deteriorating and he urged the Chinese government to clamp down on enterprises and institutions raising capital abroad.

China's debt-service ratio is approaching the security line. which makes it necessary to take effective control measures to pre-vent an oversized foreign debt," Mr Zhou told the official China Daily's Business Weekly yester-

Mr Zhou did not reveal China's debt-service ratio - principal and interest payments as a percentage of export earnings - but Business Weekly reported that the "security line usually is 20 per cent". The International Monetary Fund and World Bank have

estimated China's debt service about 20 per cent. Foreign

ratio at about 12 per cent. China's debt repayment requirements this year are between \$12bn-\$14bn, according to Business Weekly, but this almost certainly understates obligations, which are thought to be closer to \$20bn.

Mr Zhou called for efforts to control the proportion of short-term financial investment in China. He noted that in Mexico, bonds, securities and stocks had made up two-thirds of foreign investment, and these funds "left swiftly" when the peso began to fall after the country's December devaluation.

Mr Zhou's remarks follow other official expressions of concern recently about the country's rising foreign debt. Last August, the State Administration of Foreign Exchange Control (SAFEC) said it was "time for China to limit its foreign borrowing and use as much direct overseas investment

China's foreign debt grew to \$100bn last year from \$83.5bn at the end of 1993, an increase of

exchange reserves more than doubled in 1994 to \$57bn.

Mr Zhou also called for an improvement in China's debt structure. "A better debt structure is needed that should consist of reasonable proportions of long-term, mid-term and short-term debts," he said. China is facing a "debt repay-

ment peak" over the next three to four years, according to SAFEC. Loans issued in the early 1980s when China embarked on its modernisation drive are maturing. They include more than \$10bn worth of yen-denominated development assistance loans. The yen has appreciated heavily against the Chinese yuan, adding substantially to the cost of debt-service.

Moody's has been taking a close interest recently in China's debt, and a group from the debt rating agency is expected in Beijing early next month for talks with the People's Bank of China and the finance ministry. Earlier this month Moody's

said it was scrutinising various

light of present controversy over what might be regarded as China's sovereign and non-sovereign obligations.

It noted that while Bank of China was rated at single-A3, other Chinese institutions had different credit ratings. The Guangdong International Trust and Investment Corporation was rated Baal and under review for a possible downgrade.

Chinese officials have been seeking to clarify the definition of sovereign debt - that for which the Chinese government assumes responsibility - as opposed to non-sovereign obliga-

Foreign bankers have been concerned about the sovereign risk definition following several recent high profile examples of debt problems involving Chinese institutions, including \$600m owed to Japanese and German banks by state companies which had entered into leasing arrangement in the mid-1980s.

Greenpeace joins with the bankers to seek action on climate change

An increase in natural disasters of the Reinsurance Association of America, warned yesterday at a conference in Berlin organised by the environmental campaigning group Greenpeace.

'If we are in a period of a series of extreme events that we are not prepared for, we could see major insolvencies." he said. The conference found Greenpeace joining forces with prominent members of the world's banking and insurance industries to demand international action on climate change.

"Of the 25 largest insured catastrophes in the US, 21 have occurred in the last decade, and 16 of those 25 involve a combination of wind and water," Mr Nutter continued. The effect of climate changes on consumers of insurance was likely to include higher premiums and excesses (deductibles). Based on the crite-

An increase in natural disasters Haig Simonian in Berlin on the bankrupt some insurance companies, Mr Frank Nutter, president cataclysmic threat facing business from natural catastrophes

> ria of the US Property Claims Service, natural catastrophes almost doubled in the 1970s from the previous decade, remained broadly stable in the 1980s, but now appear to be rising again. with 171 incidents from 1990 to

sequences for US insurers, whose total capital amounts to about \$180bn. He estimated that a severe storm striking Miami or the north-eastern United States could cause more than \$50bn in

What is all the fuss about global warming? **Editorial Comment**

1994 against 313 from 1980 to 1989. Matters have been exacerbated by population growth in coastal areas. The industry estimates a Class Five hurricane striking New Orleans could cost £26bn (\$42.6bn) in claims. A similar disaster in Miami could cost more than double that, says Mr

..Page 17 damage. Some insurance compa nies would be wiped out by the resulting claims. While stopping short of asking the government to share the burden, Mr Nutter suggested insurers and government would have to co-operate if

That would have dramatic con-

such claims were to be met. Mr Rolf Gerling, chairman of Germany's Gerling insurance by 2000.

group, in which Deutsche Bank, the country's biggest bank, has a sizeable stake, said it was no surprise environmentalists and representatives of the financial community should agree on climate change. "The time is over when we should draw divisions between us. Now we should all march together." He said Gerling was taking greater account of environmental factors in its insurance and investment policies and would try to set an

example for the industry.
The gathering was held two days before a conference sponsored by the United Nations in Berlin on progress in cutting emissions of "greenhouse gases" such as carbon dioxide which are believed to contribute to global warming. The Berlin conference is the first big follow-up to the Rio de Jampiero Earth Summit of 1992. Many industrialised nations agreed then to try to cut carbon dioxide emissions to 1990 levels

Benetton and Bonomi poised to buy Lotus

Continued from Page 1

subsidiary Bugatti Automobili, were formed in 1987 to revive the Bugatti marque, which had been moribund since the 1950s. and develop a new range of 200mph supercars.
Sales of the flagship 553 brake

horsepower EB110 coupé, priced at between £285,500 and £336,000, have proved disap-Development of a second

Europe today

wintry showers in Scotland, western England,

ireland and south-western England will be relatively calm with large breaks in the cloud.

These regions will have only occasional showers. Heavy rain is likely in north-easter

to fresh south-westerly breezes will draw subtropical air from northern Africa into this region, taking the temperature above 20C in some places.

High pressure will move into France and the

morning. A depression will track from Ireland and south-western England into France on

Wednesday, bringing rain and pockets of sleet and snow. Thursday will be calmer because of a new ridge of high pressure, however another trosty morning is likely. The cold air will reach

zone. Northern Spain may also be cloudy and rainy, while the interior and southern parts will be sunny. Spring-like conditions will prevail in south-eastern Europe and the Balkans. Gentle

range, the EB112 saloon, has been hampered by lack of funds and unpaid bills. Last year **Bugatti engaged CS First Boston** as financial adviser and Price Waterhouse as auditor with the aim of raising equity finance

The resulting financial pressures have forced the planned sale of Lotus.

team, which had "successfully either in London or New York, but the funds have never materi-

said 21 Invest

turned round the company to a good level of profitability" since the takeover by Bugatti. Lotus, with a workforce of 985 mainly at its headquarters at Hethel, near Norwich, achieved

intended to continue to support

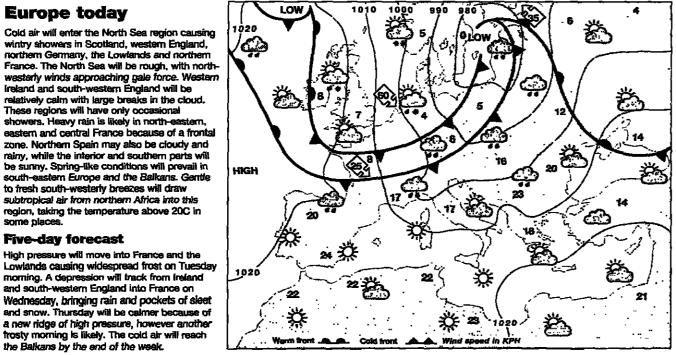
the Group Lotus management

an operating profit of £4.9m on a turnover of £50.5m in the calendar year 1994, said 21 Invest.

Group Lotus, not connected with Team Lotus, the Formula One racing team, more than doubled sports car production in 1993 to 710 from 320, although

its main business is automotive engineering consultancy. Mr Bonomi said that 21 Invest would initially hold all of the equity in Lotus, but that it would aim later to bring in other investors with the possibility that Lotus could become a man agement buy-out. Midland Bank is to provide the main debt finng of around £10m.

FT WEATHER GUIDE



the Balkans by the end of the week. TODAY'S TEMPERATURE

Five-day forecast



Lufthansa

No global airline has a younger fleet.

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THE LEX COLUMN

Swiss shenanigans

Union Bank of Switzerland continues Car registrations to underestimate Martin Ebner, its largest and most troublesome shareholder. The bank's directors insisted for months that registered shareholders, of whom Mr Ebner's BK Vision investment company is the biggest with 18 per cent, could not legally be compensated for the loss of voting power resulting from a proposed share unification scheme. Now that the proposal, approved narrowly by shareholders last November, is blocked by Mr Ebner's legal actions, the bank has suddenly found that it can offer registered shareholders a 10 per cent payoff plus a slight increase in their voting power by way of an exclusive deeply discounted one for five rights issue.

Mr Ebner would have been hard pressed to refuse such an offer in September when the share unification scheme was unveiled. But since November, he has accused UBS directors of all sorts of wrongdoing. Having said publicly that he wants heads to roll, Ebner cannot accept a payoff now without looking the greenmailer that UBS chairman Nikolaus Senn tactlessly labels him.

While some Swiss financiers bemoan the publicity attracted by the affair, the battle is demonstrating a new-found and welcome transparency in Swiss corporate affairs. The legal cases, if taken to their conclusion, would provide useful clarification of uncertain aspects of a new companies act. UBS shares have suffered, but arguably due to negative market sentiment towards banks in general. They still enjoy a higher rating than those of their accident prone Swiss rivals.

Automotive industry

The European automotive industry's recovery is proving decidedly patchy. The German and UK markets are stuttering, while apparently strong yearon-year increases in France are flattered by particularly poor performances last year. At this stage of the cycle, the West European market should be growing at more than 3 per

Given the limited drive in volumes. there are concerns about how automotive makers' profits can advance. Raw material prices are rising rapidly, and most of the benefits from cost-cutting are being passed to customers in discounts. Moreover, little capacity was taken out during the last recession and new sources of supply are scheduled. Japanese carmakers, galvanised by the yen's appreciation, have

Annual % change *** UK

1993

announced large capacity increases. Meanwhile, European currency turbulence has redistributed competitiveness. The big manufacturers in Germany and France are particularly suffering, while those in southern Europe and the UK are benefiting. French and German manufacturers are finding it impossible to compensate for the falling value of exports by raising prices. Simultaneously, cheap imports are eating up market share in

their domestic markets. One way of escaping the moribund European market is to diversify geo-graphically. Companies such as VW are investing heavily in China and Latin America. However, though such markets may be expanding fast, that does not guarantee profitability. The Brazilian market has taken three decades to come good, and China could, in the medium term, prove a huge opportunity to lose money.

Derivatives

The rush by banks and securities firms to set their houses in order following a series of nasty derivatives losses is unseemly. The inescapable conclusion is that it is motivated by a desire to forestall any hostile moves by regulators rather than by a sudden urge to protect clients.

It has come late in the day, given the long list of casualties in the unregulated over-the-counter derivatives market, from Hammersmith and Fulham council to Procter & Gamble. The Barings debacle, though in the more tightly controlled futures market, has spurred calls for greater controls.

On Friday, the International Swaps and Derivatives Association launched a new code of conduct, drawn up with New York's Federal Reserve Bank. This follows a decision by affiliates of

six US securities firms to give more information to regulators.

However self-serving, these steps are a sign that some of the industry's problems are being addressed. The excuse that the market is made up of professionals who do not need to be protected does not stand up, given the vast gap in understanding between the most and least sophisticated participants. While the new code of conduct is voluntary, it should help the market to reward more responsible houses.

Supervisors do not want to regulate the market into oblivion, but they are right to hold the threat of greater regulation over the industry. It is forcing banks and securities houses to take a long look at a complex business, the growth of which had outstripped the grasp of many managers.

Building societies

This is a crunch week for UK building societies. Tomorrow the High Court will reveal whether the proposals of the Halifax and Leeds Permanent for distributing shares to 10m members are legal. If permitted, two of the biggest building societies could then proceed with their plans to merge and become a quoted bank. On Friday, members of Cheltenham & Gloucester Building Society will vote on Lloyds Bank's £1.8bn cash offer for their

society.

If both go ahead, the building society movement will be substantially diminished. But these deals need not necessarily lead to a rash of rationalisation among the remaining 79 societies in the sector. In their present form there are only three big enough to convert into quoted banks: Nationwide, Woolwich, and Alliance & Leicester. And of the rest, only a handful are attractive enough to float, even

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after possible mergers. As for the remainder, there is little pressure on them. Although the smallest societies achieved virtually no net lending in 1993 and found conditions last year extremely difficult, they have plenty of assets and low overheads: they have the option to minimise mar-keting, dividends remain unnecessary. and any disadvantage in funding costs caused by their inability to access wholesale money markets can easily be offset by efficiency gains. That does not mean inactivity is the best course - without the big boys the building society sector is set to become a backwater - but a dash for consolidation is unlikely to be the immediate response if this week's deals get the go-ahead.



Acquisition of

Société Des Aciers D'Armature Pour Le Béton

Disposal of

Scunthorpe Rod Mill

Purchase by the Company of

35.2 per cent. of its own share capital

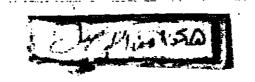
Two tranche rights issue

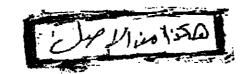
S.G. Warburg acted as financial adviser to ASW Holdings PLC and was sole underwriter and manager of the rights issue

S.G.WARBURG

S.G. Warburg Circup at Banking and Asset Manag

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FINANCIAL TIMES COMPANIES & MARKETS

MATERIALS AND TECHNOLOGY T.O.D.A.Y **BRITISH VITA PLC**

ATHE FINANCIAL TIMES LIMITED 1945

Monday March 27 1995



BRONWEN MADDOX: GLOBAL INVESTOR

The past two weeks have seen strong buying of French shares, after months of underperformance. Brokers are predicting a rise of more than 25 per cent in industrial earnings in 1995, and more than 20 per cent in 1996 and many leading stocks are now trading at a discount to their European counterparts. Page 23



PETER NORMAN: ECONOMICS NOTEBOOK This year's currency upheavals have revived ideas for clamping down on foreign exchange market speculation. A strong head of steam, fuelled by academic

economists, has formed behind

ideas for putting some "sand in the

RONDS:

The US Federal Reserve and Germany's Bundesbank are both holding policy meetings this week which could shed light on the direction of interest rates on both sides of the Atlantic. Page 24

wheels of international finance". Page 23

In Wall Street, economists believe the Fed will tighten monetary policy and the market seems to have written off such an eventuality as it reached new highs nearly every day last week. In the UK, dividend growth lies behind all the "valuation" arguments for buying equities which have fuelled the recent rally in share prices. Page 26

EMERGING MARKETS:

Bombay's three-day closure gave out a clear message to foreign institutional investors, "Foreign Institutions have been astounded by the shutdown, said Mr Ron Gould, managing director of BZW investment management. Page 25

CURRENCIES:

The week ahead will be critical for foreign exchanges as central bank meetings in the US, Japan and Germany establish a fresh context for market activity. Page 25

COMMODITIES:

Cocoa producers, who have seen prices languish for the past year in spite of a continuing fall in world stocks, will this week confront one of the biggest threats to their future - the increasing use of cheaper alternatives to cocoa butter. Page 23

UK COMPANIES:

The weekend votes by members of Cheltenham & Gloucester Building Society marked the start of a week which could determine the future shape of societies. Page 20

INTERNATIONAL COMPANIES:

Electrolux, the household appliance manufacturer. has postoned the stock market sale of Granges, its aluminium and metal working subsidiary. Page 21

Company meetings 10 FT-A World indices . FT Guide to currencies 25 Foreign exchanges

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World stock mkt indices....28

Market turmoil hits Russian gas sale

The planned sale of shares in

UR investment bank advising on the equity issue, will first target international oil, gas and chemi-cal companies. "We are looking at trade buyers and the institutional investors will come later," said Lord Rockley, chairman of

24 per cent of the world's known natural gas reserves; supplies nearly a fifth of west European rency, earning \$6bn-\$7bn a year.

from the former Soviet Union.

gas demand; and is the country's single largest source of hard cur-

funds.
The international equity offerern financial investors to emerge

ing, scheduled for this month, is one of many from emerging markets which have been postponed since the financial crisis in Mexico began in December. That and political instability in Russia have contributed to a 70 per cent decline in the Moscow stock mar-

The Russian company's management is nevertheless beginning negotiations with some of the 20 industrial companies identified as potential shareholders. They included "majors", Lord

Bockley said, naming Shell, the Anglo-Dutch company, as an example. BASF and Ruhrgas of Germany, and British Gas of the

tive to buy stakes: Gazprom will prefer its shareholders in making

Lord Rockley was speaking on the opening of Kleinwort's office in Moscow. He disclosed that Kleinwort had already advised Gazprom on three projects:

DM1.3bn (\$920m) limited-recourse bank facility for Gazprom to help pay for the DM5bn Midal-Stega pipeline to be built in Germany with BASF.

 Kleinwort Benson advised on Gazprom's purchase of a 25 per cent stake in Neste's gas interests which were spun off from the main Finnish company last

The bank helped organise a DM964m financing with German banks, backed by the Hermes

UK brewer close to deal with Foster's

By David Blackweil in London

Scottish & Newcastle, the UK beer and leisure group, is this week putting the finishing touches to an agreement to buy Courage, the second-largest UK brewer, from Foster's of Austra-

It is understood that the deal, which would create the UK's biggest brewing group, could be signed as early as next week. But the sheer size of the purchase, its international nature and the number of parties have led to legal complexities that might take a month to resolve. Mr Brian Stewart, S&N chief executive, yesterday would neither confirm or deny weekend stories of an imminent announcement of a deal worth between £400m (\$656m) and £500m. "We never comment on market rumour – and this one has been around a long time." he -said. In Melbourne, a Foster's executive said the speculation of an imminent deal was premature but that talks were continuing.

S&N and Courage are a perfect geographic fit. Courage is in Yorkshire, where it brews John Smith's bitter, and in the south of England, while S&N is concentrated in northern England and Scotland. However, given the overcapacity in the UK brewing sector, rationalisation can be expected. Furthermore, regulatory issues are likely to be raised with the Office of Fair Trading.

The OFT is already conducting an inquiry into wholesale beer prices after publicans' com-plaints that Courage offers beer price discounts to pubs in the free trade but not to those in its tied estate.

A combined S&N and Courage would have more than 30 per cent of the UK market. Observers think it unlikely that the group would be allowed to keep such a share; it could be forced to shed brands and assets to bring it cl

surrounding the future of Cour-

(US\$86m) at the interim stage.

emerging market and energy and John Thornhill in Moscow indefinite delay for the largest planned equity offering to west-

Gazprom, the dominant force in the Russian gas industry, to western institutional investors has been put on hold until market conditions improve. Instead Kleinwort Benson, the

A shareholding of 9 per cent in Gazprom has been allocated for

Gazprom is the world's largest hydrocarbon producer: it controls

ket since its peak last September. sale outside Russia and a portion of it was to have been allocated to purchasers such as pension.

UK are also believed to have indicated interest.

Gazprom and its advisers have given international energy and chemicals companies an incensupply and joint venture agree-

> export credit agency, to buy equipment for the Novy-Urengoi plant in western Siberia.

> > Growth in equity income

Philip Coggan reports on the UK dividend increases that have exceeded expectations Rewarding figures

Forecast for dividend growth in 1995

Shareholders sweetened by a payout bonanza

ritish executives may have been rewarding thembeen rewarming salary selves with hefty salary increases but they have also been keeping their shareholders sweet. The surprise element of the current UK results season has been the level of dividend increases. While earnings have been generally in line with expectations, payouts have exceeded them. According to Mr Mark Brown, a strategist at ABN-Amro Hoare Govett, of the larger companies which have reported so far. 43 dividend payments have exceeded expectations and only

11 have disappointed. Forecasts for dividend payouts this year - the result of 1994 figures now being announced have been edging higher as the chart from James Capel shows; back in February 1994, the con-sensus was for only 5 per cent dividend growth. And the consensus may move even higher than its current 10 per cent. Mr Richard Jeffrey, Charterhouse group economist, has just raised his e ior annual dividen growth for companies reporting this year from 10 to 12.5 per cent. The average growth rate has

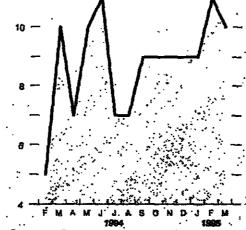
been bolstered by some hefty double-digit increases from the financial sector; according to SG Warburg, the rate of increase from the industrial companies has been just 9 per cent. It is also part of a general European trend of corporate recovery, Mr Nick Stevenson of SG Warburg thinks that German dividends are likely to grow by 10 per cent this year, and by 15 per cent in France.

Nevertheless the tone of the UK results season, according to Mr George Hodgson, the Warburg strategist, is better than that of the interim season last autumn. Then BTR, the diversified industrial group, caused concern when it warned that it was proving difficult to pass on higher raw material costs to customers.

In recent weeks BTR and British Vita, the foam and fibres group, have said that this pressure on profit margins had abated. If that is a general trend across industry, and in the light of continuing economic growth in 1995, companies have every reason to be confident. The consensus forecast for the 1996 season is for another dose of 10 per cent dividend growth. Recent growth comes in the

wake of a very difficult period in the early 1990s, when many companies cut dividends in response to the recession and the high costs of their debts. Nominal dividends fell in two consecutive years (1992 and 1993) for the first nce 1942-43, according to BZW, although former chancellor Mr Norman Lamont's change to dividend tax credit played a part in this decline.

However; the early 1990s retrenchment has set the scene for the current revival in payouts. Mr Michael Hughes, global strategist at securities house BZW says: "The corporate sector has built up a large cash surplus having repaid debt in the early 1990s." Figures released on Friday by the Central Statistical Office show the corporate sec-



1985 86 87 88 89 90 91 92 93 94 95 96 and strategy at NatWest Markets.

record £13bn (\$21bn) last year. Mr Brown says that dividend payments appear to be at the top of the finance directors' list of priorities, ahead of takeovers and investment. The reason for this payouts, investment institutions lack of interest in investment, he believes, is because the corporate sector currently has sufficient

r Hughes adds companies are also aware of the need to reward investors after several bad years for payouts. "There has been greater emphasis in recent years on income as a standard for investment measurement, especially with the return of retail investors, for whom the value of shares often comes from the income," he says.

"After several years of recovery, companies now feel more confident," he adds. "They also know that, if they reward share-

tor's financial surplus reached a holders now, that may ensure support for when they want to raise money later in the cycle." But are companies paying out too much? Past criticisms have argued that, by forcing compa-nies to maintain high levels of

> are restricting the ability of industry to invest in long-term growth. The rapid growth of dividends in the 1980s, fuelled in part by companies' fear of takeovers, had eroded dividend cover (the ratio of earnings to payouts) to around 1.6-1.7 by the early 1990s. Up until recently, many analysts expected that companies would allow divi-

dends to grow only slowly, allow-

ing the cover ratio to return to its mid-1980s level of 2.5. That has not happened. Esti-mates of dividend cover vary, depending on which earnings analysts include; Mr Brown says the level is 1.8, Mr Jeffrey 2.2. Mr Bob Semple, head of economics

cover is around 2, and will rise to 2.2 in 1996. "In the old days, that would have been at the lower end of the range," he says.

"Companies have decided they can live with lower levels of

estimates the level of dividend

cover because if inflation is low, the cycle should be less severe," Mr Semple adds. In other words, companies need to leave less of a cash cushion to cope with the sharp downturns, which have in the past occurred when government slam on the interest rate brakes to avoid inflation. Nevertheless, this reasoning

may not impress a new Labour government, if it takes power. After all, reform of the corporate taxation system to discourage dividends was considered by the Conservative government when Mr Stephen Dorrell was a Treasury minister. The current season of bumper payouts may turn out to be an Indian summer.

rent market leader with 23 per Last month Foster's reported a 26 per cent rise in profits and referred to the complications

Mr Ted Kunkel, chief execu tive, said there were "complexities which require very careful consideration and no decisions have yet been made". Courage reported a 17 per cent growth in pre-interest profits to A\$118m

This week: Company news

GERMAN COMPANIES Surging D-Mark is mixed blessing for industry

This is a bumper week for followers of the German corporate scene, with three big banks, two car companies and two chemical groups reporting their 1994 results and outlining prospects in 1995. In all cases, the turbulence on world financial markets and the impact of the surging D-Mark on the domestic economy and exports will be of as much interest as the actual figures.

Forecasts for Germany's economic growth rate this year are being scaled back as the D-mark continues to strengthen.

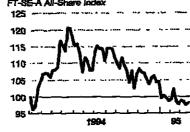
Like Bayer, which has already had its annual press conference, BASF and Hoechst have benefited enormously from economic recovery and their own cost-cutting and efficiency efforts. Hoechst has announced an 80 per cent rise in net profits for last year and BASF one of 50 per cent. Analysts will be keen to hear what they have to say about the difficulties of doing business in Germany after Bayer's statement that it may shift a tenth of production

capacity abroad. The big three banks - Deutsche Bank, Dresdner Bank and Commerzbank - fared dismally on their own account trading in the first 10 months of last year as a result of the rout in bond markets. This pulled down their overall results, which are expected to look much healthier this year by comparison.

Their Bavarian rivals, Bayerische Vereinsbank and Bayern Hypo-Bank, report next week, as does the smaller

In the car sector, both Volkswagen and BMW have reported encouraging preliminary results. VW made a small profit last year after a huge loss in 1993 and expects further progress this year. But the strong D-Mark will certainly not help exports, and BMW's decision to manufacture in the US is given further justification by the weakness of the

P&0 Share price relative to the FT-SE-A All-Share lociex



Core shipping business pays off

The cruise, ferry and shipping operations of Peninsular & Oriental Steam Navigation Company are expected to be responsible for an impressive profit increase when the group reports its 1994 results tomorrow. Analysts are predicting pre-tax profits of £320m-£355m (\$513m-\$570m) before exceptionals, from the shipping,

transport and property group, against

last year's £523.7m, which included

£278.5m profits from investment sales. P&O has invested heavily in its shipping businesses in the last five years and is now seeing the rewards. Turnover, which was up only 1.6 per cent at the interim stage to £2.73bn (£2.69bn), is not expected to have grown strongly, but P&O will benefit from the operational gearing of the shipping businesses, which have a high level of fixed costs. The ferries operation, which saw interim profits more than double to £26.6m (£11.5m last time), increased

and the full year figure is estimated at £100m (£81.7m). The cruise liner market is growing strongly, and the 25 per cent increase in interim operating profits that P&O recorded to £42.4m (£34m) is expected to be repeated.

Volumes in the container division

were higher last year, but analysts are

passenger traffic by 17 per cent in 1994

unsure whether rates have fallen in the second balf. An unchanged dividend is forecast.

ITALIAN BANKS Privatisation proves to be two-way street

Banca Commerciale Italiana (BCI) and Credito Italiano (Credit) - the two Milan-based banks privatised in the last 18 months - are set to announce 1994 results on successive days this week. BCI will report full year results today; Credit reports tomorrow. Both banks should report a decline in profit compared with 1993, providing further evidence of the difficulties experienced by Italian banks last year as interest margins narrowed and the value of bond portfolios dropped. Since privatisation, the two

companies have moved quickly to assert themselves as private-sector institutions, with mixed success. They both raised funds with large share issues last year, and launched bids for other medium-sized Italian banks within days of each other in the autumn. BCI's attempt to take control of Banco Ambrosiano Veneto failed after only a few days, but there is speculation that the bank will use its war-chest to renew its assault on Ambroveneto or on another smaller Italian bank, Credit won control of Credito Romagnolo of Bologna after a three-month battle but analysts are concerned that the price paid by Credit and its allies - L3,770bn (\$2,27bn) for a 78.36 per cent stake - could dilute the bank's earnings for 1995 and 1996.

■ Pirelli: After three years of net losses

and a painful restructuring, the Italian cable and tyre manufacturer, is today

6.000 5,000

1994

expected to announce a strong return to profit in preliminary results for 1994. In 1993 the group cut net losses to L96bn (\$57.9m), compared with L154bn of losses in 1992. Pirelli is investing heavily in cables technology which it hopes will reap the benefit of the promised multimedia revolution.

■ Citic Pacific: The Hong Kong-listed arm of China International Trust and Investment Corp, is expected today to announce a growth in excess of 30 per cent in 1994 profits. Analysts' forecasts range from 34 per cent to 42 per cent.

Blue Circle: When Britain's biggest cement producer announces full year figures on Wednesday, comparisons once more will be difficult as this year's figures will incorporate a £40.3m provision, of which £35.1m was due to a goodwill write-off on the sale of the v World cookers business. Profits could be around £184m (\$301m) against £165.6m last time.

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Companies in this issue

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	BHP
	Brambles
	British Land
	Broadgate Properties
.	C&G
1	Chine Assets
. 1	Clarke, Nickolls
	Courage
1	DBS
ı	DRS Data & Research

Enterprise Computer

Вестоіцх

Foster's 22 Gazpror Granges Kleinwort Bens OUB Orient Overseas

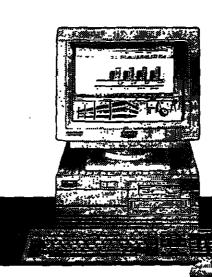
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KPMG nominates partner

COMPANIES AND FINANCE

Go-ahead for Halifax will put more pressure on C&G board

The weekend votes by members of Cheltenham & Gloucester Building Society marked the start of a week which could determine the future shape of merger and takeover activity among building

As the final decision is taken on the £1.8bn cash offer for C&G by Lloyds Bank, a significant stage has been reached in the plans of Halifax and Leeds Permanent, two of the UK's largest societies, to merge and then form a bank.

The two societies will learn tomorrow whether their plan to distribute free

By Roland Adburgham, Wales

As they waited off stage, the

directors of Cheltenham &

Gloucester Building Society

had fair warning of what was

coloured stone magnificence of

Cheltenham town hall, the slow handclapping began as

about 700 of the society's inves-

When the 10 directors

trooped onto the platform, five

minutes late it was to ironic

cheers and hissing by C&G

members enraged by the terms

of the society's proposed £1.8bn

John Bays, C&G chairman,

immediately antagonised them

further by declaring that

the board would not answer

For the next two hours, the

directors underwent a verbal

mauling by the mostly elderly

investors. "This whole sorry

story is one of ineptitude by the board," was a typical

remark, loudly applauded, by a

succession of articulate

Group") for the six months ended 31st January, 1995 were as follows:

takeover by Lloyds Bank. Mr

and West Correspondent

shares to all investors and borrowers on first building society to convert to the becoming a plc is within the law. a bank. Building society legislation imposes restrictions on which of a society's members can receive an immediate benefit in cash or shares when it is taken over or converts to plc status. Borrowers are excluded, as are investors of less than two years' standing.

These provisions prevented C&G from sharing the £1.8bn cash among all its members. In the High Court last week. Halifax argued that these provisions of the 1986 Act did not apply to its planned share scheme, which follows the pattern used by Abbey National when it became the

Furious investors pull no punches

Saturday's requisitioned

meeting was forced on the board by 100 dissident inves-

tors in advance of a special

meeting to be held in London

on Friday, when the society's

1.2m members are entitled to

the meeting were proposals to provide a paper alternative to

cash payments by Lloyds, and

to benefit those members,

including borrowers, excluded

from receiving bonuses. Those

in the hall voted in favour of

the resolutions but, with 44,000

proxy votes cast, these were lost by majorities of about two

to one. The board had already

made it clear it would not be

C&G claims that almost 90

per cent of investors will

receive cash payments but

most of the ire was directed at

the way in which other deposi-

tors were excluded. Some

long-standing members com-

plained that they had been

encouraged by C&G to switch

into accounts which did not

qualify. One of them, Mr Brian

Todd, said he had had a "six-

bound by the outcome.

Among four resolutions at

figure investment for the past half decade". He expressed his

total disgust at the cavaller,

indifferent, uncaring attitude

"I don't know how you can live with yourselves," another

investor said, pointing out that a C&G manager had previously congratulated him on his "wise

decision" in switching to an

account which now failed to

qualify. A man from Ludlow, in Shropshire, said his 86-year-

old father had transferred over

£100,000 to such an account:

"He is almost certain to with-

Mr Paul Rivlin, leader of

C&G Alternatives, the pressure

group which requisitioned the

neeting, protested that no pre-

mium was being paid by Lloyds. It was almost unheard

of in a takeover, he said, for

there to be no form of paper

alternative, which would enable people to avoid capital

gains tax liability. "Why is the

board's attitude so hostile to

us, the people who actually

with glum faces as the tirade

The dark-suited directors sat

own the society?" he asked.

draw the whole bloody lot."

of the board.

If Hallfar's plans are allowed, this will put increased pressure on the Cheltenham & Gloucester board to find an alternative scheme enabling all 1.2m members to benefit. C&G members will vote on the Lloyds Bank bid at a special meeting on Friday, where it must be approved by a large majority of investors in order to proceed.

However, if the Halifax plans are found unlawful, the societies will have to decide whether to appeal or to devise another scheme. Either course would slightly delay the scheduled merger of Halifax and Leeds

At the end, Mr Bays aban-

doned attempts to read a

lengthy prepared statement

by slow handclapping, foot

stamping and cries of: "We

After the voting, Mr Rivlin

said, "We managed to hold 35

per cent of the vote and, if that

is reflected at the special meet-

ing on Friday, the deal with Lloyds will sink. The society

needs 75 per cent of the mem-

bership to agree before it can

Mr Andrew Longhurst,

C&G's chief executive, who

was accused of seeking to fur-

ther his own career by the

takeover, had earlier described

the meeting as "a total waste

of money". The society said it

After the meeting Mr Lon-ghurst said: "We understand

the strength of feeling of those

who are left out of the cash

payments, but remain firm in

our belief that no new proposal

could legally be formulated which would satisfy every-

cost £500,000 to convene it.

go ahead."

when his words were drowned

Computer nears deal with banks

Enterprise

By Paul Taylor

Enterprise Computer Holdings announced late on Friday that it had reached agreement "In principle" with its bankers covering the proposed refinancing of the company.

The company's shares have been suspended at 3p since February 16 pending the announcement of a relinancing programme needed to address debt levels of about £6.93m, including loan stock, and "excessive overheads" of about £232.500 for an unoccupied property.

Yesterday afternoon, as talks continued at the offices of Hoare Govett, its brokers, the company issued a state-ment through the Stock ment in principle had been reached "with all relevant parties" for the proposed refinan-

Enterprise, which reported interim pre-tax losses of £5.19m on sales of £2.93m last month, said it planned to make a full announcement and send a circular to shareholders seeking approval for its refinancing terms on Monday.

Trading in the group's shares is expected to resume today.

PTS details float plans

By Andrew Taylor, Construction Correspondent

PTS, which claims to be the UKs largest independent merchant of central heating equipment, has announced details of its flotation. which is expected to raise £8.75m via a placing with institutional investors.

The issue, priced at 90p for each ordinary share, values the group at £17.1m. The ordinary shares being placed re present 51.2 per cent of the enlarged capital. Some £5.75m will be

received by selling shareholders, mostly institutions: another £2.56m will be used to repay borrowings.
Directors' families, who cur-

rently own about 8 per cent of the shares, expect to raise £87,750 from the placing. Last year PTS earned a record pre-tax profit of

£2.17m, including a £418,000 profit on sale and leaseback of the company's headquarters. The company is on target to | This compares with a pre-tax | £16.5m reflecting an 84 per cent reak even in December. profit of £929,000 in 1993. The share price rose 6%p to Turnover rose from £40.4m to

CROSS BORDER M&A DEALS

SECTOR

Broadcast

equipment

Telecoms

Computer

Speciality

Auto components

Food processing

development partner of Rosehaugh. Mr Howard Mallinson, a

By Simon London **Property Correspondent**

Mr Roger Oldfield and Mr Tim Harward of KPMG Peat Marwick, joint receivers to Rosehaugh, have taken the unusual It is highly unusual for a step of nominating a partner of partner to join the board the accountancy firm to the of a company in such a situa-Broadgate Properties board. The move is designed to strengthen the receiver's hand in negotiations with British

Rosehaugh, the collapsed property developer, owns half of Broadgate Properties, the holding company for the Broadgate office development in the City of London. British Land will control the other half of the holding company following its takeover of Stanhope, the former

Land.

partner in KPMG's property group, will be one of two Rosehaugh nominees on the holding company board.

Rosehaugh and Stanhope each appointed two nominees to the Broadgate board, with the balance of power held by independent directors.

The receivers said that Mr Mallinson had been nominated to protect the value of Rosehaugh's shareholding in the run-up to to the refinancing of Broadgate's £750m debts. which is due to take place in two years' time.

to Broadgate board They believe that some of Broadgate's assets may have to be sold to reduce debts, a move which many analysts believe British Land could

British Land's offer of £125.5m for Stanhope, which was declared unconditional last week, was widely seen as the prelude of a bid to gain full control of Broad-

Earlier this month the company launched a £211m rights issue, which it said might be used to finance the acquisition of Rosehaugh's share in the

holding company.
However, the receivers have said they are not prepared to sell their interest in Broadgate for anything less than a full

Precoat International to join market with £18m price tag

Precost International, the Wales-based steel processor. hopes to complete a placing within the next 10 days which should float the company with a market capitalisation of about £18m.

Color Steels, its subsidiary at Cross Keys, Gwent, is the UK's largest service centre for pre-

coated steel The product has an established market in the construction industry and Color Steels has growing sales to white goods manufac-turers, supplying customers

increasingly on a just-in-time New uses for pre-coated steel are being found in brown

goods, lighting and office furniture.

Color Steels has a turnover of £31m. A Canadian operation, set up in 1985, has sales of £8m. Directors forecast that the group's pre-tax profits for the year ending April 30 will be not less than: £2.4m, against £1.78m for the previous 12 months.

Precoat is offering nearly half its equity to raise £9m, including £2m of new money for investment at the Gwent and Canadian plants and a proposed pilot facility on the European continent.

The holdings of the Kaye family, the company's original backers with a 40 per cent stake, will be reduced by about

half. The venture capital group

NEWS DIGEST

was the best ever in QSP's his-

tory with strong growth in turnover and profitability."

Basic earnings per share

increased to 28.8p (7.3p) or to

27.5p (6.7p) fully diluted. A

final dividend of 3.5p (1.25p) is recommended, making a total

Sherwood Computer

Sherwood Computer Services.

the USM-quoted software

group, has moved into profit

will also halve its holding. None of the directors or their families will be selling

"We feel we've reached the

point where we genuinely qualify as a floated company," said Mr lan Williams, chairman.
The additional profile will be of help in enhancing our credit in the eyes of the bigger and bigger customers with

whom we're dealing."

Precoat acquired Color Steels in 1978 when Mr Williams, previously with British Steel. became chairman and managing director.

Sponsor and stockbroker to the issue is Peel, Hunt, and dealings are expected to start in the second week of April.

CHINA & EASTERN INVESTMENT COMPANY LIMITED

Preliminary announcement of interim results for the six months ended 31st January, 1995.

The unaudited consolidated results of China & Eastern Investment Company Limited (The "Company") and its subsidiaries (The

			(Audiled)
	Six as	onths ended	Year ended
	31s	l January	31st July
	1995	1994	1991
	uss	USS	
NET ASSET VALUE (USSOIO)	\$2,258	83,848	69,102
NET ASSET VALUE PER SHARE	1.56	4.11	3_39
Revenue			
Income from listed investments	784,535	922,867	2,061,581
Income from unlisted investments	136,750	229,740	393,840
Net gains from trading in dealing investments	11.455	91.784	93,221
Other income	73,580	41,178	179,518
	1.006,320	1,285,569	2,728,160
Expenses			
investment management fees	250,060	322,786	580,049
Administrative expenses	177,022	167,747	334,173
Interest on borrowings	132,717	117,000	265,000
	\$59,799	607,533	1,179,222
Profit before taxation	446,521	678,036	L548,938
Taxation	8,643	· ·	14,375
Profit after taxation	437,878	678,036	1,534,563
Final dividend		-	1,428,000
Profit retained	437.878	678,036	106,563
Earnings per share	0.022	0.033	0.075
Dividend per share	-	-	0,07
Other transfers to (from) reserves			
Net profit on disposal of investments	2,864,817	4,676,005	4,215,170
(Decrease) increase in valuation of investments	(30.146.132)	24.676,414	10,962,310
Taxation			

During the period under review the majority of the Group's income was not accessible to Hong Kong Profits Tax as it was generated from offshore activines and capital transactions. The tax charge represents overseas withhou

on of the extraines per share is based on profit for the period of US\$437.878 (1994: US\$678.036) and on 20.400.000 shares (1994: 20,400,000) in issue. Analysis of net assets as at 3 lat January, 1995

net assets Hong Kong" People's Republic of China Taiwaa Other countries 52.26 10<u>0.0</u>

 Including US\$5.4 Million (10.3% of net assets) invested in "H" shares, issued by companies based in the People's Republic of China, but listed on the Hong Kong stock market.

The decline in the "Greater China" stock markets continued during the six months ended 31st January, 1995. During this period the Company's net asset value has fallen by 25% to US\$52.26 million while the Hang Seng and the CLSA China 'B' share indices

have fallen 23% and 22% respectively. The fall in the Hong Kong stock market was triggered by the upward trend of US interest rates which had a direct impact on Hong Rong interest rates due to the peg between the Hong Kong and US dollars.

The Company's exposure to China has continued to increase during the period under review with investments in 'B' and 'H' ing at USS 19.09 million and US\$5.40 million respectively at 31st January, 1995 and representing 29.6% of net essets: at 31st January, 1994 and 31st July, 1994 the comparable figures were 17.7% and 18.9% respectively.

The Company is currently not geared, the horrowings having been repaid in the period under review, but the facility remains in place should your investment Manager with to take advantage of market opportu

In the six months to 31st January, 1995 profits attributable to shareholders fell to US\$437.878 compared to US\$678.036 for the

ding period. This fall was mainly as a result of lower dividend income following increased investment in China 'B' shares which was funded by the sale of higher yielding Hong Kong stocks. in the short term uncertainties relating to interest rates in Hong Kong and the level of inflation in China are likely to prevent any

dramatic improvement in the stock markets in which the Company is invested. Over a longer horizon the prospects for "Greater China" remain positive with China itself continuing to grow rapidly, but hopefully in a more controlled manner, as economic reforms continue. The Board of Directors are of the view that there is considerable value to be found in both Hong Kong and China. The Company's investment portfolio is well positioned to benefit from this situation

It is not the Company's present policy to declare interim dividends. The Board will consider in the light of the full year's results the appropriate dividend to recommend to shareholders.

Redemption, purchase or cancellation of shares

There was no redemption, purchase or cancellation of shares by the Company or its subsidiaries during the six months ended 31st

It is expected that the full interim Report will be sent to shareholders on 18th April, 1995. It will be made available to the public at the Company's Registered office; 8th Floor, Prince's Building, Hong Kong and its U.K. Transfer Agent; Barclaya Registran. Ltd., Bourne House, 34, Bockenham Road, Beckenham, Kent BR3 4TU.

By Order of the Board G.W. Hopkinson. Company Secretary

Magnum seeks £2m via placing

Magnum Power, the uninterruptible power supply units, has placed 2.04m ordinary shares at 118p to

Market reaction to BI-UPS ~ which protect equipment such as personal computers from loss or malfunction of the power supply - has exceeded expectations and funds raised by the placing will be used to expand and engineering

break even in December. 1321/sp on Friday.

BIDDER/INVESTOR

Deutsche Telekom

Heliman & Friedman (US)

John Menzies (UK)

Novus Petroleum

Adwest Group (UK)

China Strategic Holdings

Morgan Crucible (UK)

USM-traded designer of built-in raise £2.41m to fund expan-

Quality **Software** tops £2.5m

Quality Software Products, the Gateshead based accounting software group, reported higher full-year pre-tax profits. reflecting growing market acceptance of its modularbased Universal OLAS software, which runs on a broad variety of computer systems.

Pre-tax profits for 1994 jumped to £1.51m (£553,244) on turnover ahead 24 per cent to increase in product revenues. Mr Alan Mordain, chairman,

said: "The second half of 1994

COMMENT

Wins fight for

Major strategic

sector grip

Major stake

Multimedia

Part of US

Austraflar

cash offer

Cash buy

agreed

move

VALUE

£371m

£183m

£70.6m

£41.7m

925m

£7.6m

£4,9π

and is to seek a full listing. The pre-tax figure for the year to December 31 came out at £79,000 (£2m loss) after exceptional charges of £1.33m tion costs. Disposals - of Guardian

of 4.5p (1.25p).

Computer Services, Consort Data and Investment Management and Local Government and the reduction of work in progress by £1.4m reduced net debt from £3.4m to £300,000. Turnover was £25.1m

(£23.6m). The company is to resume dividend payments with a recommended final of 2p.

DRS Data lower

DRS Data & Research Services, the scanning equipment manu-facturer, reported 1994 pre-tax profits lower at £1.49m, against £1.95m. Turnover fell from

£11.1m to £8.8m. The results were in line with the warning issued in November and the shares lost 1p to close at 24p on Friday. The company floated at 110p in

It blamed a collapse in demand from schools, its main (nil),

market, which remains difficult. The directors expect tight trading to continue in the short term and "further need for the consolidation and restructuring of our business direction". This would be reflected in the 1995 results.

Earnings per share came out at 3.07p (4.42p) and a proposed final dividend of Ip makes a total of 2p for the year.

Tadpole placing

Tadpole Technology, a supplier of portable computer systems, has placed 1.25m new ordinary shares at 210p each with institutional shareholders.

company announced early volume orders for both the P1000 100MHz Intel Pentium based notebook and the SPARCbook 3XP notebook workstation, and the appointment of Mr Peter Higgins, previously with GEC. as a non-executive director.

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*E.g

Clarke, Nickolls

A larger asset base and increased turnover enabled Clarke, Nickolls & Coombs, the property company, to report 1994 pre-tax profits up from £99,000 to £1.21m.

Turnover was higher at £6.37m (£3.78m) with rental income increasing to £4.91m (£2.01m) as a result of the purchase of properties from Channel Hotels and Properties, Net assets per share improved from 7.6p to 8.76p.

Earnings per share were 0.68p (0.16p) and a proposal final dividend of 0.1p makes a total for the year of 0.2p

U.S. \$30,000,000

Teepak International

Sachtler (Germany)

Funsoft (Germany)

Pure Carbon (US)

North Sez Assets (UK)

Thole A Tube (US)

Botton Group (UK)

Matrix Communications



Unit of Monument Oil & Gas Oil & gas

DES PETITES ET MOYENNES ENTREPRISES **Undated Subordinated Floating Rate Notes**

For the Interest Period from March 27, 1995 to September 27, 1995 the rate has been determined at 7.6875% per annum. The amount payable on September 27, 1995 per U.S. \$1,000,000 principal amount of Notes will be U.S. \$39,291.67.

By: The Chase Manhattan Bank, N.A. London, Agent Bank March 27, 1995



CREDIT LYONNAIS USD 50,000,000.-UNDATED SUBORDINATED STEP UP VARIABLE RATE NOTES

Noteholders are hereby informed that the rate applicable for the coupon Nº7 has been fixed at 7.2375 %.

The coupon N°7 will be payable at the price of ÚSD 18,596.35 on September 25th, 1995, covering the period as from March 24th, 1995 to September 24th, 1995 (inclusive), and representing 185 days of interest.

The Agent Bank and Principal Paying Agent 畿 CREDIT LYONNAIS

Industrias Unidas, S.A. de C.V. Up to U.S.\$ 45,000,000 Floating Rate Notes due 1996 to 1998

The rate of interest for the period The rate of interest for the period 27th March, 1995 to 27th March, 1996 has been fixed at 11.25 per cent, per annum, Interest payable 27th March, 1996 will amount to US\$11,437.50 per Note.

UNBEATABLE INTEREST. INSTANT ACCESS. INVESTORS CHRONICLE

THE CITY INSIDE OUT

PHARMACEUTICAL BUSINESS NEWS

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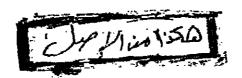
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uticals & Healthcare Publishing



COMPANIES AND FINANCE

Scandinavia's forestry groups produce more than paper profits

he great swathes of for-est that cover much of the Nordic countries are producing golden profit streams for the region's big pulp and paper companies. Almost all the Swedish,

Finnish and Norwegian producers, which together account for more than 36 per cent of paper and paperboard consumption in the European Union, have reported dramatic increases in profits for 1994 and they anticipating bigger earnings

yet this year. In Sweden, Stora, the group controlled by the Wallenberg industrial empire, saw profits rise six-fold to SKr3.2bn (\$439m). In Finland, profits at Repola, the country's biggest forestry products group, shot up to FM1.6bn (\$365m) last year from a surplus in 1993 of

The only exception among the leading producers was Sweden's SCA, which was hit by its exposure to the extreme downstream end of the forestry business. Its profits fell to SKr1.06bn from SKr1.2bn because of problems in its disposable nappy operations. But SCA, which recently became Europe's biggest the Helsinki market by more

The industry's resurgence has helped drive the economies of Finland and Sweden out of recession, writes Hugh Carnegy

forestry products group by acquiring Germany's PWA, forecast profits in 1995 of SKr4.5bn-SKr5bn.

The resurgence in industry - after a severe slump in the early 1990s - is good news for the economies of Finland and Sweden. Accounting respectively for more than 35 and 18 per cent of finnish and Swedish exports, the forestry sector has been vital in driving the two countries out of recession.

But the profits flow has largely been greeted with indifference by investors. Instead of an anticipated buying spree as the forestry companies rode a fast-moving upswing in the industry cycle, the sector's shares have

performed flaccidly. Swedish companies have outperformed a weak Stockholm market in recent months, but not by much. In Finland, the forestry groups have underperformed, with Enso-Gutzeit's share price over the past three months lagging

James Capel's latest ratings the 21st century, there is put the Nordic sector's average reason to do so with optimism price/earnings ratio against anticipated 1995 earnings at just 5.6. The multiple for 1997, seen as the peak year in the

current cycle, stands at 4.2, compared with 10.7 at the peak of the last cycle in 1989. These companies are looking ridiculously cheap at the moment," says Ms Michelle Evans, a pulp and paper analyst at James Capel. The share price performance belies the considerable optimism within the Nordic

industry at present.

A t a meeting this week of the Swedish Forestry Industry Association, Mr Lars-Ake Helgesson, chief executive of Stora, insisted that the forestry sector was a modern growth industry, in spite of past worries about its chronically cyclical nature and the potential effects on demand for paper of the growth of electronic media.

and a strong belief in the

future," he declared. Investors may be more cautious given previous slumps in the industry. But they appear to have spurned the Nordic companies mainly for reasons other than their underlying performance. The forestry companies have been victims especially of the general retreat from small markets by international buyers following the Mexican crisis. "These shares are not held back by fundamentals." says Ms Evans.

In the short term, their prospects are certainly bright. Although an increase in demand and prices helped produce the big profits last year, other factors such as improved productivity and lower debt servicing costs were equally important in many cases. The recent dramatic increase in prices for both pulp, the raw material for paper making, and paper itself,

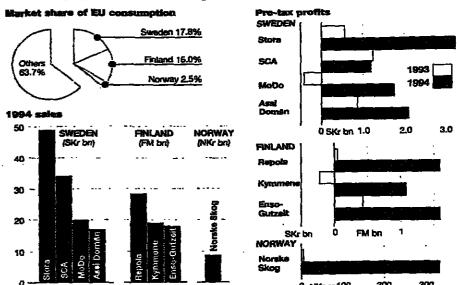
This year, the Nordic forestry companies will reap much more of the benefits of price rises which have seen benchmark pulp prices vault in recent weeks to a record \$925 per tonne in Europe, from as low as \$390 per tonne in mid-1993. Paper prices have also moved up sharply, with newsprint fetching \$600 per tonne compared to \$410 per tonne two years ago.

n the 1980s, a similar boom was followed by a painful L bust in large part because producers rushed to build new plant, causing severe overcapacity. Part of Mr Helgesson's optimism about the future this time, however, is based on the relatively modest levels of investment now going into new capacity. while worldwide demand for paper is forecast to grow by more than 3 per cent a year up

to the year 2010.

Much of the investment is expected to continue. emphasis at present is also

Nordic paper and board producers



going into restructuring within the industry - in moves like SCA's acquisition of PWA which increase efficiency. In the Nordic region, this process The biggest question mark is

what will happen to the Finnish government's 52 per cent voting stake in Enso-Gutzeit. Metsäliitto, a big co-operative forestry group, is interested in putting Enso together with its own interests.

But the government may also listen to foreign bids. However, the state bas shelved plans for a further stock market issue because of

IDC congratulates the new world leader in medium-scale UNIX systems

Siemens Nixdorf and Pyramid have joined forces to become the world market leader in mediumscale UNIX systems, with a 16% market share*. Endorsed by the

7

International Data Corporation (IDC). * Source: IDC 9/94 Nile Series RM Series **Siemens Nixdorf and Pyramid:** "The most powerful parallel server family in the world"

COMPANIES AND FINANCE

Electrolux postpones Gränges sale Earnings

Electrolux, the household appliance manufacturer, has postoned the SKr3.7bn (\$505m) stock market sale of Gränges, its aluminium and metal working subsidiary, just three weeks after it announced the planned sale.

The setback, which means Electrolux cannot for the time being complete its strategy to dispose of non-core businesses, was a further dramatic sign of waning foreign investor confidence in Sweden.

The country's budget deficit and mounting debt have made it among the hardest hit by turbulence in international markets. Interest rates have risen sharply, the krona has fallen and the stock market has been weak. In January, foreign investors, in recent years heavy net buyers of Swedish stocks, sold SKr1.8bn more

equities than they bought.

"The fall of the krona has made many foreign investors hesitant about a transaction of this size." said Mr Leif Johansson. Electrolux's chief execu-

Last week's slide in German share prices has caused the postponement of the share sale by Schwarz Pharma, a fast growing manufacturer of heart and other drugs, writes Andrew Fisher in Frankfurt.

Deutsche Bank, which will lead the issue expected to raise around DM250m (\$178m) said it would be delayed because of the "difficult situation" on the German market. Share prices fell by 3 per cent on Thursday and Friday last week due to investors' anxiety over poorer prospects for exporting companies as a result of the strong D-Mark and weaker dollar.

The Schwarz Pharma issue, which the com pany now hopes will take place in early May, will be one of Germany's largest initial public offerings this year. The largest will be that of SKW Trostberg, a specialty chemicals company owned by Viag, which is expected to raise around DM1bn.

Ranks involved in the current SGL Carbon issue, totalling at least DM400m, said they

a positive shine on the withdrawal of the issue, in which more than 90 per cent of Granges was to be sold to Nor-

dic. US and international "I have not at all ruled out that we will come back 'when the weather is better'." he said. "if the uncertainty surround-

ing the Swedish krona and

issue is rescheduled.

selling Gränges." He added that Swedish-based Gränges, which posted a 37 per cent rise in profits in 1994 to SKr446m, was in a profitable phase with good prospects which in the short term would enhance Electrolux's earnings. But the failure of the issue

Mr Johansson sought to put interest rates stabilises, we SKr1.8bn capital gain that it could very well think about had planned to use to strengthen its balance sheet and invest in priority areas. The sale would have largely completed the dismantling of its non-core industrial products

expected no particular difficulties as a result of

The company, owned by the Hoechst chemi-

cals group, gave details last week of the issue, led by Dresdner Bank and Kleinwort Benson of the UK. The price range for shares under the

bookhuilding process, in which investors' share

bids are assessed in advance, was set at

Schwarz Pharma, which had a turnover of

DM880m last year and is keen to expand in

Europe and the US, said it decided on Friday

morning with Deutsche Bank on the postpone

Mr Patrick Schwarz-Schütte, chairman, said

the company - in which the family will retain a

majority stake - had no immediate acquisition

plans but wanted "to have the right ammuni-

A press conference on the IPO which had

been set for today will now be held when the

tion loaded for when we negotiate a deal".

division.

the stock market decline.

between DM55 and DM66.

Riectrolny B shares fell SKr4.5 to close at SKr339 on Friday in a market up more

The star performer of the

banks was the Overseas Union Bank (OUB), the smallest of

the four. OUB's pre-tax profit

for 1994 rose 33 per cent to

fall 39% at San Paolo di Torino

By Andrew Hill in Milan

Net profit at Istituto Bancario San Paolo di Torino, one of Italy's biggest banking groups. fell by 39 per cent to L388bn (\$226m) in the calendar year 1994 as the bank weathered difficult trading conditions.

The board is proposing a full-year dividend of 1.240 per ordinary share and L264 per preference share, compared with L360 and L396 respectively for 1993.

The Turin group, which in 1993 reported a net profit of L636bn, said it had suffered. like other Italian banks, from the instability of bond and equity markets and narrowing interest margins.

However, it said income had remained relatively stable, if financial components were stripped out, and deposits had risen by 6.3 per cent to L201,821bn. Net consolidated profit was L402bn in 1994. So far, San Paolo has pursued a softly-softly strategy as the Italian banking sector restructures, preferring not to

launch high-profile bids. However, earlier this month. the charitable foundation which owns San Paolo announced plans to take advantage of new, more flexi-ble laws on bank ownership by giving up its majority control of the bank

The foundation said it would place "a significant further tranche" of its 74 per cent stake with Italian and foreign investors before the end of

San Paolo, which operates a national network of more than 1.000 branches, had found itself exposed to some large and heavily indebted Italian industrial groups in the early

As a result, it has emerged, for example, as the largest shareholder in Ferruzzi Finanziaria, the financial holding company for the Montedison industrial group. It has a 14 per cent stake in the group. which came close to collapse

San Paolo said that its loan policy is now extremely prudent, which helps to explain why overall loans dropped by 10.7 per cent in 1994 to L91.195bn. The bank said bad and

doubtful loans represented 3.6 per cent of total loans at the end of 1994, lower than the average for the Italian banking system.

NEWS DIGEST

Reshape puts Belgian retailer back in the black

A reorganisation at GIB Group, Belgium's largest retailing group, helped the company return to net profits of BFr2.2bn (\$75.5m) in the year to January 31 1995 after losses of BFr3.5bn the previous year, writes Caroline Souther in Brussels.

Consolidated group sales were little changed at BFr232bn in spite of an overall fall in consumer demand. Earnings before tax rose by 12 per cent from BFr3.8bn to BFr4.2bn. Cashflow stood at BFr7.9bn compared with BFr7.6bn.

The company said 1994 had marked a "turning point" following the implementation of a restructuring plan under which all group chains were reorganised as independent subsidiary companies with decentralised manage-

Pepgro plans R208m rights issue

Pepgro, the holding company that controls Pepkor, South Africa's largest retailer, has announced plans to raise approximately R20Sm (858m) through a renounceable rights

issue, writes Mark Suzman in Johannesburg. The money will be used to cover the company's existing borrowings of around R90m which resulted from Pepkor's acquisition of British retail group Brown and Jackson last year, with the remainder being used by Pepgro

The rights will be issued to shareholders in the ratio of 12 new ordinary shares for every 100 shares held at a price of R20 a share.

BHP coal contract talks break down

to increase its holding in Pepkor.

BHP, the Australian resources group, said that key annual coal contract negotiations with Japanese steel mills had broken down, and that the two sides would be adjourning the talks for about two weeks, writes Nikki Tait in

This is the fourth round of negotiations to stall since late last year, and the new contract period starts on April 1. The Australians have been arguing for a rise of at least US\$5.90 a tonne for coking coal on the grounds that market conditions are improving and supplies have tightened. This would amount to a rise of about 12 per cent - the first increase for four successive years.

Foreign operations boost VAE results

VAE, the Austrian rail maker, has reported that strong growth in foreign operations lifted its 1994 group earnings by 49 per cent. The former subsidiary of state-owned steel group Voest Alpine, which was fully privatised through a public share offering last November, said its profit climbed to Sch121m (\$12m) from Sch51m in 1993, writes Eric Frey in Vienna.

Group sales slipped to Schl.64bn in 1994 from Schl.70bn because of VAE's withdrawal from the rail trading market and currency fluctuations. Mr Mohamed Kaddoura, the finance director said.

Sales at foreign subsidiaries jumped 37 per 1.36.2bn a year earlier.

cent to Sch624m, while domestic sales fell 10 per cent, he added. Earnings per share rose only slightly to Sch80 from Sch79 because of an increase in the group's share capital.

Brambles joins forces with Lend Lease

Brambles, the Australian transportation company, is formally joining forces with Lend Lease, the financial services group, to look at the possibility of bidding for airports which Australia's federal government is planning to privatise, writes Nikki Tait.

The Labor government outlined the sale of the 22 airports last year and secured support from its rank and file members at a party conference in September.

Details of how the sale will take place have yet to be finalised, and the matter is likely to

come before federal cabinet next month. It was originally hoped that the sale might raise around AS2bn (US\$1.46bn), although some concessions demanded in return for party support may have affected the price tag. It was agreed, for example, that where possible airports will be sold individually, and on 50year leases rather than freehold

Among the other potential buyers rumoured to be interested are BAA, the UK-based air-

Loss on share trading hits Orient Overseas

A substantial loss in share trading and a reduced level of exceptional gains led to a 56.6 per cent fall in net profits of Orient Overseas (International), the Hong Kong container shipping line controlled by Mr C.H. Tung, to US\$59.5m from US\$137.2m in the year to December, writes Simon Holberton in Hong

The company said that it had incurred loses of US\$30m on the group's investment portfolio, compared with a profit of US\$41.8m in 1993. This loss detracted from what was the

group's best year at the operating level for a decade. Profits before financing charges were US\$75.6m compared with US\$25.6m in 1993. Mr Tung said that last year the group invested US\$50m in China projects, bringing its total investment to US\$64.5m.

The dividend for the year is US\$1.61, which included 65 cents at the interim stage and represents an increase of 24 per cent over 1993.

Independent puts De Benedetti unit in the red

Editoriale L'Espresso, the Italian publishing group which is part of the De Benedetti family business empire, was pushed into the red in the year to December 1994 by the L24bn (\$14m) cost of its support for The Independent, the British daily newspaper, writes Andrew Hill in Milan.

The Italian group sold its 20 per cent stake in Newspaper Publishing, which publishes The Independent and The Independent on Sunday, on March 22 to Mirror Group Newspapers and Independent Newspapers, the Irish media

L'Espresso - which publishes the weekly magazine of the same name, and controls La Repubblica, one of Italy's best-selling dailies announced a net loss of L11.4bn for the calendar year 1994, compared with a profit of

Singapore banks register sharp profit rises

By Kieran Cooke in Kuala Lumpur

Singapore's four big banks have reported substantial increases in profits and turnover for 1994, reflecting the continued strong growth of the island republic's economy.

United Overseas Bank at 11 cents per dollar share. (UOB), Singapore's largest Analysts say that, whi financial institution, has reported pre-tax profits up 23 per cent for 1994 to S\$829m (US\$588m). Interest income

rose 21 per cent to S\$1.85bn while earnings per share went up 20 per cent to 78 cents.

The Oversea-Chinese Banking Corp. (OCBC) reported pretax profits up 20 per cent at S\$753m. Interest income rose 15 per cent to S\$1.9bn and the final dividend was unchanged

Analysts say that, while growth at both the leading banks last year was impressive, the short-term outlook is less optimistic, with margins

being squeezed and smaller S\$31m, a 36 per cent increase institutions seeking to increase on the previous year. market share.

Pre-tax profit at Development Bank of Singapore (DBS) rose 11 per cent to S\$687m. Interest income jumped 26 per cent to S\$1.81bn, though the dividend was reduced by 24 per cent to 16 Singapore cents a

DBS said net interest income rose due to a larger portfolio of loans plus higher margins. The bank made provisions of

Interest income also rose by 33 per cent, to S\$992m, while

earnings per share advanced by 26 per cent to 36.6 cents. The dividend was raised by 17 per cent to seven cents gar

BOLIVIA

MINISTERIO SIN CARTERA RESPONSABLE DE CAPITALIZACION

ANNOUNCEMENT OF THE INTERNATIONAL PUBLIC BID FOR THE CAPITALIZATION OF ENDE BOLIVIA REF. MC-01/95

TERMS OF REFERENCE FOR QUALIFICATION BASED ON MERITS AND EXPERIENCE

The Ministerio sin Cartera Responsable de Capitalización (the "Ministry"), in accordance with the provisions of the Capitalization Law No. 1544 dated M ch 21. 1994 (the "Capitalization Law") and the SAFCO Law No. 1178 dated July 20, 1990 (the "SAFCO Law") and their respective regulations announces to the energia public the International Public Bid (the "Tender") for the qualification and the subsequent subscription for 50% shareholdings in Empresa Corani S.A.M.. 1 presa Guaracuchi S.A.M. and Empresa Valle Hermoso S.A.M. (together the "Generators"), being formed from the Empresa Nacional de Electricidad S.A. (* .:NDE

The Tender will consist of two stages. The first stage will be the qualification of prospective bidders and the second will be the submission of economic offers by

In July, 1994, the Ministry reviewed the submissions of parties interested in the Tender and classified 31 such parties, listed below, as pre-selected companies (the

- "Pre-Selected Companies"). AES AMERICAS INC.
- BHP POWER INC. CENTRAL AND SOUTH WEST CORPORATION
- CHILECTRA S.A. CHILGENER
- CMS GENERATION
- 9. CONSOLIDATED HYDRO, INC.
- 13. DOMINION ENERGY, INC. 14. ENERGY INITIATIVES, INC.
- COMMUNITY ENERGY ALTERNATIVES INCORPORATED CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
- 10. CONSTELLATION ENERGY INC.
- 11. COMPAÑIA BOLIVIANA DE ENERGIA ELECTRICA S.A.
- 12. DESTEC ENERGY INC.
- 16. ENTERGY POWER DEVELOPMENT CORPORATION 17. EMPRESA NACIONAL DE ELECTRICIDAD S.A. - ENDESA 18. FALCON SEABORD POWER CORPORATION
- 19. GESTION ELECTRICA EMPRESARIAL S.A. 20. HOUSTON INDUSTRIES ENERGY INC.
- 21. IBERDROLA S.A. 22. LG & E POWER DEVELOPMENT INC.
- 23. LIBERTY POWER LATIN AMERICA/COG':NTRIX 24. O'BRIEN ENVIRONMENTAL ENERGY
- 25. ONTARIO HYDRO INTERNATIONAL INC. 26. SADE INGENIERIA Y CONSTRUCCIONES S.A.
- 27. SOUTHERN ELECTRIC INTERNATIONAL CHILE
- 28. TAUERNKRAFTWERKE A.G. 29. THE NATIONAL GRID COMPANY PLC 30. TRACTEBELS.A.
- 31. WESTCOAST ENERGY INTERNATIONAL INC. 15. ENRON DEVELOPMENT CORP. Qualification submissions will only be accepted from Pre-Selected Companies or their affiliates or groups comaining Pre-Selected Companies or their affiliates Each qualification submission must evidence solisfaction of the criteria contained in the Terms of Reference for Qualification based on Merits and Experience (the

"Terms of Reference"), which are summarized below. Each bidding group must contain an operator which meets the following criteria:

- general experience in the electricity generating industry; specific experience owning and operating one or more substantial hydro or thermal power plants
- a minimum generating efficiency
- and maximum total asset to equity ratio. Additionally, the combined net worth of the operator together with certain other specified members of the bidding group must meet or exceed a minimum level.

Date and Place of Presentation of Qualification Submission Qualification submissions will be received at the address indicated below until 6:00 p.m. May 2, 1995, and opened immediately thereafter Date and Place of acquisition of the Terms of Reference: The Terms of Reference may be obtained at the offices of the Ministry located at Avenida Mariscal Santa Cruz, Palacio de Comunicaciones, Floor 17, La Paz.

Bolivia, between 9:00 a.m. and 6:30 p.m. from 31 March 1995 to the day immediately preceding the final date for the filing of qualification submissions. The telephone number is (591-2) 355388 and the facsimile number is (591) 8112823. Price of Terms of Reference: US\$ 5,000 (Five Thousand US Dollars) paid in boliviance at the official exchange rate on the day of purchase. For these purposes the special account No 08 - D - 827 carrying the name "Ministerio de Capitalización" has been opened in Banco Santa Cruz S.A., Avenida Camacho No. 1448 La Puz, Bolivia Telephone: (591-2) 370481 and Facsimile (591-2) 388259/369279. La Puz - Bolivia.

La Paz, March, 1995 MINISTERIO SIN CARTERA

Documents to be presented with the pre-selection submission include but are not limited to the following:

- Letter of Intent to participate in the pre-selection process.

BOLIVIA MINISTERIO SIN CARTERA RESPONSABLE DE CAPITALIZACION ANNOUNCEMENT OF THE INTERNATIONAL PUBLIC BID FOR THE CAPITALIZATION OF ENTEL BOLIVIA REF. MC - 02/95

TERMS OF REFERENCE FOR PRE-SELECTION BASED ON MERITS AND EXPERIENCE The Ministerio Sin Cartera Responsable de Capitalización (the "Ministry"), in accordance with the provisions established in Law No. 1544 dated March 21, 1994 (the "Capitalization Law"), and the SAFCO Law No. 1178 dated July 20, 1990 (the "SAFCO Law"), and their related regulations, sovites the general public to an international public bid (the "Tender") for the pre-selection of bidders and the subsequent subscription of shares of the Empresa Nacional de Telecomunicaciones (ENTEL).

The Tender will consist of two stages. The first stage will be the pre-selection of prospective bidders and the second stage will be the submission of economic offers by the pre-

Any person or entry, individually or collectively, national or foreign, that shows that it is an operator or is related to one as defined in the Terms or Reference, may present a pre-

Volume of Operations Requirements rision of telephone services to more than the number of principal lines in service as defined in the Terms of Reference, or annual revenues in excess of a m ublished in the Terms of Reference, or annual revenues in excess of a minimum amount established in The Terms of Reference, resulting from the rendering of these services.

Quality of service Requirements

Compliance with the percentages required in the Terms of Reference with respect to the following items: repair of multimetions within 24 hours from receiving the first request for service, long distance telephone calls completed and installation to new telephone users within 30 days from when solicited. Financial and other Requirements

Due authorization of personnel.

- Reports and audited financial statements for the last three fiscal years. Credit ratings for long and short term debt according to Moody's or Standard and Poor's, as set forth in the Terms of Reference.

Sworn statement regarding the financial condition of the bidder, as set forth in the Terms of Reference.

The Bidders may formulate questions to the Ministry in connection to the pre-selection, up until and including April 17, 1995.

The "Terms of Reference for the Pre-Scientian based on Merits and Experience" may be obtained beginning March 22, 1995 in the offices of the Ministry, located at Avenida, Mariscal Santu Cruz, Palacio de Comunicaciones, pino 17, La Paz-Bolivia, between 9:00am and 6:30pm. The telephone number is (591-2) 368-819 and the factimite number is (591-2)374-625. Pre-selection submissions will be received at the address indicated above until 6:00pm, on April 21, 1995. The envelopes will be opened at the offices of the Ministry, at the address

Price of Terms of Reference Twenty thousand 00/100 US Dollars (Sus. 20,000,00) paid in bolivianos at the official exchange rate on the day of purchase. For these purposes the special account No. 08-D-827 carrying the name "Ministerio de Capitalización" has been opened in the Banco Santa Cruz S.A., Avenida Camacho No. 1448 Telephone: (591-2) 370481 and Facsinale (591-2) 358259/369279, La Paz - Bolivia For more information, call the Ministry at (591-2) 368-819 or send a facsimile to (591-2) 374-625

La Paz, March, 1995 MINISTERIO SOI CARTERA

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China Assets 'would welcome' meeting

By Simon Holberton

in Hong Kong China Assets, the investment trust put in play by Regent Pacific, the aggressive Hong Kong fund manager, said it would welcome an extraordinary general meeting of share-

holders as threatened by Mr Lao Yuanyi, executive vice-president of China Venturetech Investment Corp. accused Fegent of being a "flip-

fund speculator looking for a

tise in managing manufacturing investments in China.

He said he welcomed the opportunity of a meeting of shareholders to explain to them the company's plans. He also said that, after talking to shareholders himself, he believed Regent's claim to have the support of shareholders who controlled 30 per cent

of the company was "groundless". Regent recently acquired a

quick return" with no exper- Assets. It alleges that China Assets is poorly managed.

Regent said two weeks ago that it would call an extraordinary general meeting of shareholders to propose the management be sacked and replaced by Regent. It wants the company's cash distributed to shareholders and its investments sold over the coming

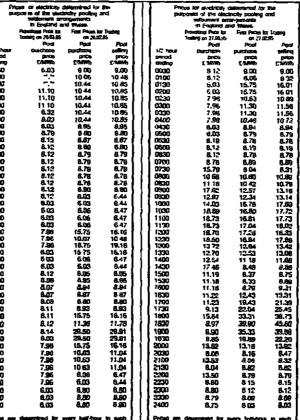
three years. China Venturetech is an 11 per cent shareholder. It also controls the management 10.2 per cent stake in China company which manages

China Assets' investments. Mr Lao admitted that mistakes had been made but said management had learned from them. China Assets had many good investments in Chinese industry and some of them

where stock exchange listings could be considered, he said. "We are at the point of a good harvest," he said. "They claim to know how to figuidate investments in China. I wish they would tell me how, I might learn something."

were approaching the stage

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NOTICE TO HOLDERS OF 84 SENIOR SUBURDINATED CONVERTIBLE DEBENTURES DUE 1998 READING & BATES CORPORATION

Notice is hereby given nursuant to

Section 12.06 of the Indenture

dated as of August 29, 1989 with

respect to the 8% Senior Subordinated Convertible Debentures due 1998 of Reading & Bates Corporation (the "Corporation") that on March 15, 1995 the Board of Directors of the Corporation adopted a sharehold ers rights plan entailing a dividend of one right (a "Right") for each outstanding share of the Corporation's common stock \$.05 par value (the "Common Stock"). Each Right will emitte shareholders to buy one one-hundredth of a share of a new series of preferred stock. Series B Junior Participating Preferred Shares, at an exercise price of \$30.50. The Rights will trade with the Common Stock until exercisable. The Rights will expire on March 31, 2005. The Rights will be issued to record holders of the Common Stock on March 31. 1995 (the "Record Date") and, under certain circumstances, with respect to each share of Common Stock that shall become outstand

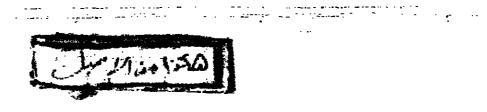
READENG & BATES

NOTICE TO HOLDERS OF 87 CONVERTIBLE **DEBENTURES DUE 1995**

READING & BATES ENERGY

CORPORATION N.V.

Notice is hereby given pursuant to Section 11.06 of the Indenture dated as of December 1, 1980 with respect to the 8% Convertible Subordinated Debentures due 1995 of Reading & Bates Energy Corporation N.V. that on March 15, 1995 the Board of Directors of Reading & Bates Corporation (the "Corporation") adopted a shareholders rights plan entailing a dividend of one right (a "Right") for each outstanding share of the Corporation's common stock, \$.05 par value (the "Common Stock"). Each Right will entitle shareholders to buy one one-hundredth of a share of a new series of preferred stock, Series B Junior Participating Preferred Shares, at an exercise price of \$30.50. The Rights will trade with the Common Stock until exercisable. The Rights will expire on March 31, 2005. The Rights will be issued to record holders of the Common Stock on March 31, 1995 (the "Record Date") and, under certain circumstances, with respect to each share of Common Stock that shall become outstanding after the Record Date.





FINANCIAL TIMES

MARKE

THIS WEEK

Global Investor / Bronwen Maddox





Nonetheless,

the past two weeks have seen strong buying of French shares, after months of underperformance. This time, the buyers may be right. But their case will be stronger if the winner of next month's elections does not rush to defend the franc if German interest rates rise later in the year. On the face of it, there is

little problem making a case for French equities based simply on earnings growth. Brokers are predicting a rise of more than 25 per cent in industrial earnings in 1995, and more than 20 per cent in 1996. Many leading stocks are now trading at a discount to their European counterparts. While the French CAC40 index traded at a premium to the German DAX for most of the period 1989 to 1992 on the basis of price-earnings ratios, it has been at a discount for most of

eine.

The greatest threat to this picture, however, is the recent strength of the franc against other European currencies, apart from the D-Mark, As the foreign exchange team at bro-

Attempts to be optimistic bout French equities have confounded repeatedly in the past vears

> ker BZW point out, France is more dependent than Germany on trade with countries partic ularly affected by the recent currency turmoil. As much as 28 per cent of its exports go to Italy, Spain, Portugal and the UK, compared with 20 per cent of Germany's.
> The low rises in French wages in the past two years have gone some way to

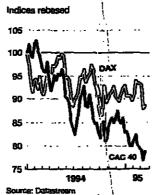
improve long-term competitiveness. But the car manufacturing unions have recently demonstrated their ability to push pay settlements above the rate of inflation. If present currency levels are maintained, the loss of French competitiveness could dent earnings forecasts However, many strategists

appear to be assuming continued strength of the franc after the election (the first round is on April 23, the second on May 7). Many - with the notable exception of those at BZW ~ appear also to assume that the franc will then smoothly regain the value it has recently lost against the D-Mark.

Clearly, ahead of the election the currency can be defended



France versus Germany



against speculation, with higher short-term interest rates. But the franc's strength against the currencies of France's main competitors has made policy decisions for the election's winner much tougher. Some investors are arguing that if the Bundesbank tightens monetary policy in the second half of the year, it not clear that France will

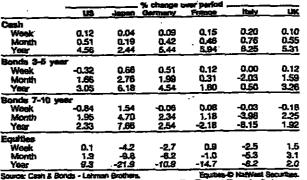
follow, despite its past determi-

nation not to devalue the central rate of the franc against the D-Mark.

Yield spread, 10-year benchmark

yields (France minus Germany

The incoming president will face an unenviable choice between maintaining the franc fort policy and an immediate improvement in competitiveness with neighbour countries Unemployment, now more central part in the election campaign of Mr Jacques Chi-



rac, who is now firmly, if suddenly, ahead in the polls. It is unclear whether, if he wins, jobs could take precedence over the currency - and over the need to cut the budget deficit back to levels compati-ble with the Maastricht criteria. In his pre-election state-ments, Mr Chirac has not explained how those conflicts

are to be resolved. There are also residual con-

sheets of the leading French banks are strong enough, and the current level of provisioning high enough, to calm such According to its analysis,

specialising in the interna

tional analysis of financial

stocks, argue that the balance

property development loans at the end of 1994 made up only 19 per cent of the total loans of Banque Nationale de Paris; 4 per cent of those of Crédit Commercial de France, and 24 per cent of Société Générale's the figures are for French exposure only in the case of BNP and SocGen).

But although the Fox-Pitt analysis concludes that even 'aggressive" further provision-"would not diminish equity ratios below acceptable mini mum levels" and that "medium-term earnings power would not be affected", its analysts acknowledge that important areas of uncertainty remain.

In particular, it is not clear how much of the banks' collateral for all kinds of loans consists of property. Mr Chris Williams of Fox-Pitt also says:

disclosure of the level of non-performing and doubtful loans." He adds that "we know very little about the provisioning level throughout the

cycle".

He argues that Suez's writedown of loans in 1994, after several years of steady decline in property values, shows that "regulators may have allowed banks to avoid provisioning in the short-term in the hope that there would be an improvement in the value of their col-lateral".

Those uncertainties about banks' resilience could add to reluctance to raise interest rates. (They also go some way to dent the enthusiasm for financial shares which brokers are starting to display.)

However, those concerns may also increase the attrac-tions of other sectors of equities by encouraging policies which favour exports. The greatest threat to the current rally in equities is the strength of the franc, and the damage that it could do to earnings expectations. Even when the outcome of the election is known, the choice of policies may remain unclear for some time. But the bulls in the equity market may find it suits their case if the currency is allowed to take some of the

An appealing national monetary affairs is the way old ideas never die. Aficionacount of the

times such exotica as target zones for currencies or plans to boost global liquidity through abstruse financial instruments such as special drawing rights have soared up the international agenda only to fade away again.

It comes as no surprise. therefore, that this year's currency upheavals have revived ideas for clamping down on foreign exchange market speculation. With typical Gallic enthusi-

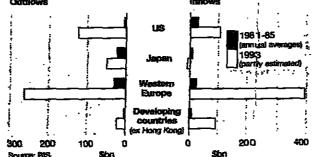
asm for more stable exchange rates, President François Mitterrand of France and the three main candidates in the French presidential election campaign have all urged measures to control currency turbulence. Less specifically, Mr Jacques Santer, the European Commission president, has called on the Group of Seven leading industrial countries to restore order to the world's monetary system. Even Canada, for many years the strongest backer of floating exchange rates, wants "a fundamental reform of the international financial system" on the agenda of the June G7 economic summit in Halifax, Nova Scotia.

International monetary reform seems a tall order for a discordant bunch like the G7. But a strong head of steam, fuelled by academic economists, has formed behind ideas for putting some "sand in the wheels of international finance".

Two broad approaches stand out. One is a tax on currency transactions, structured to discourage short-term speculation while allowing long-term cross-border investments. This was first proposed in the 1970s by Professor James Tobin, the US Nobel prize-winning economist, and has been taken up Economics Notebook / Peter Norman

Old idea comes up for an airing





French socia date, and backed by President Mitterrand.

The other approach, involving compulsory deposits. appears to have caught the eve of Mr Edouard Balladur. French prime minister and presidential candidate.

Deposit schemes can be

complex. Typical was a recent proposal of Mr Barry Eichengreen of the University of Cal-Ifornia at Berkeley and Professor Charles Wyplosz of the Insead business school near Paris, Banks and other institutions conducting foreign exchange dealings on their own account should make denosits of domestic currency at zero interest with their central bank which would be equivalent to a set proportion of their net positions in for-

eign currency, they said. But such deposit requirements have been tried in the past and been found wanting. Germany applied similar measures in the dying days of the Bretton Woods system of fixed but adjustable exchange rates in the early 1970s. They were easily circumvented and failed to damp speculative

by Mr Lionel Jospin, the movements of funds.

such as Spain's tase of compulsory deposits in the European currency crises of 1992, are not encouraging. In the January issue of the Economic Journal, Mr Peter Garber of Brown University in the US and Mr Mark Taylor of Liverpool University in the UK said the restrictions "not only affected foreigm exchange speculation but also seriously limited financial operations and risk hedging associated with foreign trade".

The transactions tax is deceptively sim ple. A 0.5 per cent tax, as suggrested recently by Prof Tobin, or a 0.1 per cent levy on short term movements as proposied by Mr Jospin, would be a negligible impost on long-term capital movements but a significant burden on short-term transactions. In this way, advocates say, it would create room for differences in national interest rates and so expand the autonomy of national mone-

tary policies. But in order to work, a transactions tax would have to apply in every country in the world. Otherwise, financial centres where the tax was applied would find that for-eign exchange dealing moved elsewhere. Given the importance of the City of London, it is impossible to imagine any British government approving such a scheme.

Moreover, the sheer scale of cross-border transactions makes any idea of controlling speculation through taxation a daunting prospect. The illustration shows how annual portfolio capital flows have jumped in a decade. The daily turnover on global foreign exchange markets has multiplied many times more - to an estimated \$1,000bn a day. At that rate, turnover on the foreign exchanges in a five-day working week is equivalent to a full year's exports worldwide of goods and services United Nations figures equate foreign exchange turnover in 24 working days to a full year's output of world goods

If ever introduced, a global transactions tax could present the world with the problem of a gusher of revenues and no clearly accountable way of spending the funds. An abiding difficulty would be distinguishing between transactions conducted for long-term investment purposes and short-term speculation. Nor would the tax necessarily deal with speculation: the devaluation of the Mexican peso since December, for example, has been so large that speculation could still have been worthwhile with tax or deposit

schemes in place. Little wonder that, outside France, few policymakers see merit in curbing speculation through taxes or compulsory deposits. Mr Otmar Issing, the Bundesbank's chief economist, summed up the mood of many last week when he dismissed such ideas as unmana geable, impractical and discriminatory.

He told reporters in Amsterdam: "A tax on exchange transactions keeps reappearing like the Loch Ness monster. Forget it.'

Cocoa threat confronted

Cocoa producers, who have seen prices for their produce languish for the past year in spite of a continuing fall in world stocks, will this week confront one of the biggest threats to their future

prosperity. A three-day conference entitled "The Use of Vegetable Fat Other than Cocoa Butter in the Manufacture of Chocolate" begins tomorrow in Abidjan, capital of the Ivory Coast. Speakers will include represen-tatives of the International Cocoa Organisation (ICCO), the

Dutch Cocoa Association and the Consumers' Consultative

cerns about the vulnerability

of the banking sector to fur-ther interest rate rises and to

the consequent fall in the

value of property, after the

experience of Compagnie

Financière de Suez and Crédit

The sharp recovery expected

in the rest of the sector's

earnings this year, after a

dismal 1994, offers some com-

fort, Fox-Pitt Kelton, brokers

Lyonnais.

The increasing use of cheaper alternatives to cocoa butter makes good financial sense but growers fear that, apart from hitting the demand for their produce, it will reduce the quality of chocolate and so damage overall demand in the longer term.

ln a statement issued last week the ICCO was decidedly downbeat about the outlook for cocoa prices. "The prospects are that the general level of

prices during the remainder of the decade, although expected to be higher than recent values, will be well below the mean value in real terms over

the last 30 years." The organisation said it expected cocoa demand to continue outpacing supply, but with both growing more slowly. It saw average annual production growth of 0.4 per cent in the 1990s, compared with an average of 4.1 per cent in the 1980s. Consumption was forecast to grow at 1.4 per cent

a year in the 1990s, against 4.1

per cent in the 13 years to 1990-91.

• Other events this week include a two-day conference starting in Johannesburg tomorrow on mining research and technology. Speakers will include Mr Marcel Goldman, the African National Congress's chief mining spokesman. On Wednesday the US Aluminium Association will begin its three-day spring meeting in Washington, and on Thursday Rabobank Nederland is holding a grains conference in Madrid.

The BNP Group in 1994: Preparing for the Future **Under Difficult Operating Conditions**

At its meeting on 22 March 1995, the Board of Directors of BNP, led by its Chairman, Michel Pébereau, reviewed the consolidated financial statements for 1994. Net income attributable to the BNP Group amounted to FRF 1,656 million, representing a 62.7 % increase from 1993.

Banking Income Lower in a Inauspicious Climate for the Banking Business

French banks had a difficult year in 1994. The BNP Group, like its competitors, reported lower banking income. In France, the loan portfolio contracted as companies further deleveraged their balance sheets, and the net interest margin was shaved by sharp competition and distortions in the market. Income from the capital market business worldwide was sharply lower than in 1993, admittedly an exceptional year, due to the disruptive influence of soaring long-term interest rates on the money, currency, and bond markets.

BNP reacted to the situation by intensifying its marketing efforts in all sectors. Business was more promising in areas such as deposit-taking and life/endowment insurance. At the same time, a number of sovereign borrowers resumed their debt service and renaid interest in arrears. Results of stock market operations were very satisfactory, and business was buoyant once again in Asia.

Unfortunately, the 18 % increase in commission income and other operating revenues only partly offset the 12 % decline in value added to capital. Consequently, banking income fell by

Operating Expenses Kept Under Control •

The BNP Group also tightened its management in response to the difficult operating conditions. Operating expenses fell by 1 %, for the first time in the Bank's history. Costs were successfully cut in all areas : salaries and benefits, administration, and IT

Gross operating income totaled nearly FRF 10.4 billion, down 16.6 % from 1993.

Provisions Were High Again in 1994, but Much Lower than in 1993

The BNP Groupe continued to apply its traditionally stringent policy of monitoring and provisioning risks. It was able to lower its net addition to allowances by 31.8 % compared with the unprecedented amount in 1993, thanks to improvements in the financial condition of business customers both in France and abroad. Yet the net addition to allowances was still high —nearly FRF 7.4 billion. This was partly due to a FRF 2.1 billion addition to the allowance for risks on real estate professionals (REPs). Total Groupe exposure to REPs amounted to FRF 25.8 billion at year-end 1994, or 3.4 % of customer loans outstanding. Coverage of classified loans to REPs was lifted to 52 % for the Group as a whole, and 66 % for risks situated in France.

Increase in Net Income

After net nonrecurring expenses but before income taxes, the BNP Group had earnings of FRF 3,108 million, up from FRF 1,552 million in 1993. Income taxes rose in parallel.

Net income of the BNP Group totaled FRF 1,761 million, up more than 81 %. Net income attributable to the BNP Group amounted to FRF 1,656 million, representing a 62.7 % increase from 1993. This amount includes the net income of BNP SA (the parent company), which totaled FRF 1,320 million. Earnings per share amounted to FRF 8.71.

The Board of Directors will recommend that the Stockholder's Meeting, scheduled for 23 May 1995, approve the distribution of a net dividend of FRF 3.20 per share, representing a gross dividend per share of FRF 4.80, including the tax credit. Stockholders will be offered the choice of a cash dividend or a stock dividend between 27 June and 13 July 1995. Shares created for the payment of the dividend will have rights from 1 January

Systematic Implementation of the Company's Strategy

In 1994 BNP implemented all aspects of the strategy it unveiled at the time of its privarization. BNP's strategy is clear to expand profitably in the two core businesses of retail banking in France and international banking for large corporate clients.

To achieve this goal, the Bank has undertaken a mediumterm re-engineering project with five goals : an aggressive marketing policy, strict control over operating expenses, tighter risk management, modernization of management auditing, and active asset and liability management.

Beginning with the retail banking business in France, BNP has segmented its network into specialized lines of business according to customer category and accelerated the growth of its electronic banking business, while continuing to improve its service quality. In the international corporate banking business, BNP is tocusing its efforts and resources on customer categories and lines of business where it feels it can be a world leader. In particular, it has created specialized services for institutional investors and international private banking clients, broadened the scope of its Corporate Business and Development Division, and reoriented its correspondent banking services. It has created integrated worldwide lines of business in bonds, swaps, and options, enhancing its options capability by integrating the US options specialist Cooper Neff. It has structured its emerging markets business. BNP has sold some nonstragenc units and begun to invest in lines of business that councide with its strategic

BNP has implemented medium-term cost-cutting plans to increase productivity and efficiency in the areas of administration, purchases, and IT resources. It is overhauling its internal auditing, credit risk management, and market risk management methods, while modernizing its management audit

Active asset and liability management had an impact in four areas in 1994. The BNP Group strengthened its combined Tier 1 and 2 capital ratio, which stood at 9.8 % at 31 December 1994, compared with 9.5 % at 31 December 1993. The Tier 1 capital ratio was 5.7 % at 31 December 1994, compared 5.6 % a year earlier. The Group has taken steps to protect itself against unforeseeable sectoral risks in a variety of areas, in line with recent developments in the banking business. A provision of FRF 2.6 billion was made for possible sectoral risks from a fraction of equivalent amount taken from the reserve for general banking risks. The Asset/Liability Management Division is working to minimize the sensitivity of the Group's earnings to market fluctuations. Management of the Group's shareholding portfolio is now being reorganized.

BNP's aim of involving all staff members in the company strategy corresponds to a clear set of priorities: fostering staff unity by applying a supportive human resources management policy, putting quality and ethics at the top of the Group's list of values, and ensuring right and motivaring management. These priorities reflect the importance BNP places on its human

In 1994, BNP geared up to prepare for the future.



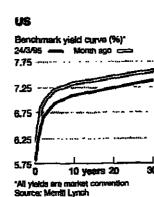
FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Ltd., Goldman, Sechs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries ------ THURSDAY MARCH 23 1995 ----- DOLLAR INDEX --

REGIONAL MARKETS -			Pound	MAY INLAM	GF1 494 11	Local	Local %	Gross.	US	Pound 1			Local			Year
Figures in parentheses	US Dollar	%chg since	Sterling	Yen	DM		chg from	Div.	Dollar	Starling	Yen	DM	Currency .	52 week 5	2 week	ago _
BUICH LITTLE OF PLACE	index	30/12/94	index	Index	Index	Index	30/12/94	Yield	Index	Index	index	Index	Index	High	Low	(abbum)
of stock	HEAR								- CD 7D	147.73	88.48	115.70	145.63	180.82	157.95	174,27
Australia (68)	160,16	-8.7	149.05	89.83	117.64	148.25	-0.5	4.08	158.79 185.38	172,46	103.29	135,07	135.02	188.89	187.48	
Austria (16)	183.85	0.6	171.10	103.11	135,04	135.00	-8.3	1.20		183.47	97.91	128.03	125.46	180.87	161.53	
Beiglum (35)	174.36	3.5	162,27	97.79	128.07	125.29	-5.2	4.27	175.71	107.24	64.23	83.95	192.55	.00.01	101-00	
		-25.5	115,11	68.17	89,28	203.15	-20.1	1.57	115.27 133.27	123.98	74.26	97.10	195.71	140.25	120.54	138.80
Canada (103)	134,44	3.9	125.11	<i>7</i> 5.40	98.75	136.61	4.0	2.56		241.01	144.35	188.76	197.66	275.27	236.61	261.17
Commercial CESS		2.2	239.58	144.38	189.09	196.52	-6.7	1.60	259.08	162.48	97.32	127.26	180.73	201.41	133.88	
Finland (24)	172.50	-7.2	160.53	86.74	126.70	159.59	-13.7	1.56	174.68 169.33	157.53	94.35	123.38	132-17	180.93	157.79	174.26
France (101)	171.34	4.8	159.45	96.09	125.85	133.60	-2.4	3.20			80.71	105.54	105.54	154.61	132.08	138.81
Germany (58)	142.25	0.4	132,38	79.78	104.48	104.48	-8.5	2.12	144.65	134.76		248.95	339.14	418.42	277.40	
Germany (30)	341.58	4.7	317,88	191.57	250,89	339.09	4.7	3.88	341.66	317.86	190.38	152.63	185.01	217.10	177.58	
Hong Kong (56)	210.22	1.8	195.63	117.90	154.41	185.84	-1.2	3.82	209.47	194,88	n 16.72		85.55	97.78	65.45	
reland (16)	67.58	-9.8	<u>82.87</u>	37,89	49,62	86.79	-4.4	1.90	66.30	61.68	38.94	48.31	79.20	170.10	138.95	
hely (58)	140 13	-10.7	130.41	78.59	102,83	78.59	-20.6	0.97	142.13	132.23	. 79.20	103.56 342.01	460.94	594.76	398.16	
Japan (484)	470 20	-1.9	437.58	263.71	345.37	480.87	-2.2	1.71	469.38	438.68	261.55			2414.12	647.81	
Malaysia (97)	70n R4	442	735.97	443.54	550.87	5935.64	- <u>22.2</u>	1.83	719.81	849.65	401.08	524,47	5584.13			
		4.9	212.46	128.04	167,69	165.00	-4.3	3.74	228.75	212.B2	127.47	186,68	164.09	232.41	191,28	
		3.7	67,63	40.76	53.38	59.34	1.5	4.97	72.39	67.35	40.34	52.76	59.34	77.20	62.05	
		-3.7	190.95	115.08	150.71	175,18	-10.5	2.25	206.08	191.72	1 14 83	150.16	175,06	216.03	177,53	
		-6.1	325.69	196-40	257.22	229,32	-8.5	1.87	355,66	330.BB	198.18	259.15	231.88	401.38	297.62	
Singapore (44)	929 95	-1.0	310.22	186.96	244.85	253,12	-12.3	2.59	336.48	313.04	187.49	245.17	264,76	342.00	205,55	
		-5.8	115.64	69.69	91.27	122,15	-7.2	4.52	124.10	115,45	69.15	90,42	121,45	150.21	124,10	
		0.8	218.77	131.84	172.67	254.88	-C.8	2.23	233.21	216.98	129.95	168.92	251.93	247.40	198.70	
		7.6	185.42	99.88	130,58	129.04	-3.7	1.90	176.45	164.16	98.32	128.57	127.00	179,88	149,81	183.45
		-12.0	129.47	78.02	102.18	133,38	-13,5	3.10	140.63	130.83	78.36	102.47	134.81			
		4.3	189.20	114.02	149.33	189.20	2.5	4.32	202.32	188.22	11 2.73	147.42		205.68	181.11	191.78
United Kingoom (200)	204.70	9.0	190.49	114.80	150.35	204.70	9.0	2.77	202.65	168.53	112.92	147.68	202,65	204.70	178,95	189.21
USA (511)	24.70					467.40	8.0	2.74	185.31	172.40	103.26	135.02	155.76			
	187.36	7.5	174.36	105.08	137.81	157.43		3.30	172.79	180.75	96.28	125.90	148.15	178.01	180.59	187.13
		2.5	161.17	97,13	127.21	146.90	-2.5		224.27	208.64	12-4.96	163,40	201.18	295.72	197.70	
Nordic (128)	224.50	0.0	208.92	125,91	164.89	201.98	-4.1	2.00	150.85	140.18	83.85	109.77	89.35	176.88	145.93	
Nordic (128)	148.89	-9.4	138.58	83,50	109.36	88.77	-17.6	1.35	159.78	148.65	861.03	116.42	110.85	175.14	164.73	
Pacific Basin (805)	158.02	-4.3	147.89	89.13	116.72	110,71	-11.3	2.23	198.35	184.53	110.52	144.52	196.08	200.34	175.67	185.08
		8.8	188,44	112,38	147.16	200.06	8.8	2.76	153.44	142.75	85.50	111,80	123.04	158.19	144,12	
North America (814)	153.58	1,5	142.91	86.12	112.79	129,67	-52	2.71		217.46	130_25	170.32	207.43	273.13	211.19	
North America (616) Europe Et. UK (516)	233.90	-1.8	217.67	181.18	171.80	207,31	-0.6	3.29	233.75 160.34	149.17	89, 34	116.83	114.16	176.65	155.42	
Pacific Ex Japan (ac-y	159,65	-4.8	148.57	89.54	117.28	114,09	-11-2	2.24	170.30	158.43	94.88	124.09	135.32	178.59	163.46	
		-0.3	158.59	95.57	125.17	135.75	-5.0	2,24			106.51	139.27	178.55	192.43	178.34	184,54
World Ex. UK (2044)	102.43	4,8	179.08	107.92	141.34	179.90	3.0	2.98	191.14	177.83	100.51	130.21	170,30			
World Ex Japan (17 Co)			181.26	97.18	127.27	140.37	-4.3	2.44	173.10	161.03	98.45	126.12	139.89	180.80	165,92	172.04
	.173.28	0.1														
TUB ANDREAS		sietman, Ser	in & Co. s	and NeuWes	st Securitie	e Limbed	1987			02 1000	_ 120 C/- 8	IS S Invited	114 45 Pe	and Stering	à and 123	22 il oceik

will be carefully scrutinised. There will not be much evidence this week in the form of economic data. Existing and new home sales are due today and Wednesday, while Tuesday brings the consumer confidence index for March.

On Friday comes the most potentially interesting figure the final GDP number for the fourth quarter; the market expects, however, that the preliminary figure of 4.6 per cent will be unchanged. Against this quiet

background, the main thing to watch will be the dollar. Last week's rise in the trade deficit



Tony Jackson

was unsettling, given that exports fell and imports rose despite the weakness of the currency - and indeed, despite a temporary improvement in the US/Japan balance as a result of the Kobe earthquake.

The assumption remains that the Fed does not believe in moving interest rates for any non-domestic reason. The snag is that the combination of a falling dollar and rising imports risks being inflationary in itself.

LONDON Conner Middelmann

In the absence of significant data releases this week, the UK government bond market's main focus will be on Wednesday's gilt auction and the policy meetings of central

banks in Germany and the US. The Bank of England plans to auction £2bn of the 8 per cent gilts due 2015, adding to an outstanding tranche which was trading at 96% late on Friday, yielding 8.31 per cent.

Dealers said that they expect most of the issue to go to domestic investors, with foreigner buyers discouraged by continued currency volatility, in spite of sterling's recovery last week against the German currency to DM2.25 from the all-time low of DM2.1890 reached on the previous Friday.

Ahead of the auction, dealers expect gilts to stay in a narrow range, with a slight downward "With £2bn of stock hanging

over us and not a huge number

that the market will drift," said

of buyers, the perception is

Benchmark vield curve (%)* Bundesbank's actions (or 24/5/95 -- Month ago potential actions) are being scrutinised more closely than At this week's council meeting, a change in interest rates does not seem to be on the cards but the robustness of the D-Mark has altered the

20 25

a London gilts dealer, adding that the UK market could under-perform its German counterpart.

"All yields are market com

years

The UK 10-year yield spread over Germany closed on Friday at 145 basis points. Meanwhile, neither the Bundesbank nor the Federal Open Market Committee are widely expected to act on

meetings, which are scheduled

for Tuesday and Thursday,

interest rates at their

respectively.

With exporters suffering under the strong currency, economic forecasts are being scaled back. A slight cut in interest rates, unchanged since last summer, could possibly be justified. But annual inflation is not down to the

Bundesbank's target of 2 per

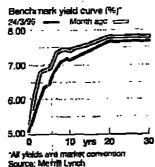
FRANKFURT

With currencies in turmoil and

financial markets nervous, the

centrate and pay settlements are higher than it would like. Mr Hans Tietmeyer, Bundesbank president, last week said that, while the higher D-Mark reduced the scope for price rises, "our monetary policy cannot and should not simply be oriented to short-term exchange rate developments".

Germany



Andrew Fisher

However, he added that lasting changes in international competitiveness also had to be considered. While this seems to rule out a rate cut, some doubt remains.

The domestic monetary scene is not the only concern for the bond market. Much will depend on US interest rates. The Rundesbank, says Mark Cliffe, of HSBC Markets, makes to secret of its belief that the dollar is a problem for the US to deal with".

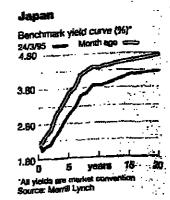
TOKYO

Although continued expectations of an imminent cut in the official discount rate are likely to provide the bond market with underlying support this week, growing cautiousness has started to prevail among investors.

Position adjustment prompted selling at the end of last week and the yield on the 10-year benchmark government bond, which fell to 3.75 per cent in intra-day trading, closed at 3.82 per cent.

Participants are expected to remain sidelined ahead of the ministry of finance's 10-year bond auction early this week. The coupon is expected to be 40 to 50 basis points lower than that of the March bond and some traders reckon this may be too low for domestic

institutions. The spate of economic statistics released in the latter half of the week could boost sentiment, however, since the effects of the January earthquake will be reflected in the data. Industrial production



Emiko Terazono

figures for February will be released on Thursday, while February employment data and the consumer price index are scheduled for Friday.

Meanwhile, the Bank of Japan is expected to try to ease the upward pressure on short-term interest rates due to fiscal year-end funding operations by the banks. Further weakness on the Tokyo stock market would also prompt the bank to ease short-term rates.

Government bonds

All eyes on the Fed and the Bundesbank

Germany's Bundesbank are both holding policy meetings this week which could shed light on the direction of interest rates on both sides of the Atlantic over the coming months.

Although analysts do not expect any rate changes to be announced after the Federal Open Market Committee (FOMC) meeting tomorrow or the Bundesbank's meeting on Thursday, any comments on economic growth or inflation will closely monitored.

Signs of a slowdown in US economic growth have fuelled the rise in US Treasuries in recent months. However, economists are divided about the underlying strength of the economy and whether the recent bond market rally is sustainable.

While most economists see the long bond trading near 7 per cent by the end of the year. many believe yields will bounce up from recent lows in the next three to six months before a true rally begins. Whatever the opinion of economists, the market itself

has taken an extremely bullish turn since last November. when the long bond yield hit 8.16 per cent. Since then the yield has dropped 80 basis points, hitting a low of 7.36 per cent last Friday as investors bet that the Federal Reserve could navigate a "soft landing"

for the economy.

In November's bear market, investors ignored lower than expected economic data to focus on underlying signs that the economy was strong. Now the reverse is true, and of late investors have ignored signs of strength, such as lower than expected jobless figures, and focused on the fact that the hours worked did not increase.

Ms Rosanne Cahn, an economist at CS First Boston in New York, believes the market has moved ahead of itself as investors have rushed to get in while yields were relatively However, the current yield

levels are not justified by the underlying strength of the economy, she says. In her view, it will take another round or two of monetary tightening to bring the economy to the Federal Reserve's target growth rate of about 2.5 per cent a year.

Even more bearish is Mr Joseph McAlinden, chief investment officer at Dillon Read, who recommends holding cash because he thinks long bond yields are headed back over 8 per cent after a spurt of consumption growth in the second quarter.

While Mr John Lipsky, chief economist at Salomon Brothers, concurs that consumption is likely to increase. he does not see the yield pushing much over its current range near 7.5 per cent. In large part, this is because by the time consumption picks up, another round of monetary tightening will ensure that economic growth is moving in the opposite direction.

The US economy is also of concern to bond analysts in Europe, because any further gains in Treasuries on the back of a slowing economy are likely to feed through into European bonds.

"The markets over here will be looking for hints on the Fed's thinking about the slowdown in growth and about interest rates," says Ms Ros Lifton, senior economist at Daiwa

bond markets, Germany's in signs that economic growth is slowing. Although the strong D-Mark is likely to offset Germany's rather disappointing inflation figures, it is also seen as the main brake on Germany's export-led economy. Germany's Federation of Chambers of Commerce

recently cut its 1995 forecast for west German GDP from 3 to 2 per cent and HSBC Markets revised its 1995 forecast from almost 3 per cent to around 24 per cent and for next year from 3% to 2.8 per cent. Downward revisions are also expected from Germany's six economic institutes. "GDP numbers have a bigger

impact on market psychology than expectations of what the Bundesbank will do on interest rates," says Mr Julian Jessop, international economist at HSBC Markets.

Yields on 10-year German bunds could well drop below 7

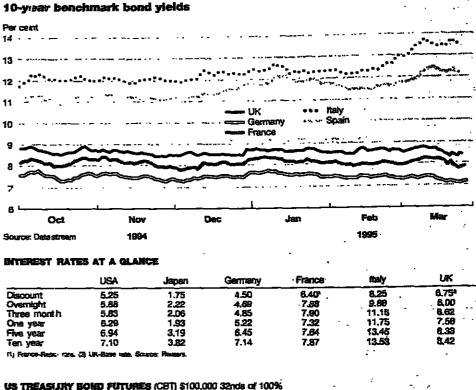
the current level of around 7.15 per cent. Some predict 6% per

cent by the year-end. At the same time. European Whereas the strong D-Mark has benefited the bund market the weakening dollar has been a concern for the US Treasury market, economists say Although the currency market has yet to exert a strong nega tive pull on bonds, many ana lysts believe the falling dollar could prove inflationary and may deter foreigners from investing in US securities.

Mr Robert Brusca, chief economist at Nikko Securities, thinks the market is sailing in dangerous waters if it continues to ignore the weak dollar. The last time the dollar had such a precipitous fall it was overvalued, but that is not the case now, he says. "There are a lot of people

who say it has been falling since 1985 without any ill effects, so who cares. I think that's wrong and it's a dangerous view of the world."

Lisa Bransten and Antonia Sharpe



	Орел	Sett price	Change	High .	Low	Est, vol.	Open int.
Jun	103-11	104-12	+1-03	104-17	103-09	291,050	338,067
Sep	103-02	103-31	+1-03	104-02	103-02	2,111	16,843
Dec	103-00	103-17	+1-02	103-20	102-31	`21 ·`	1,426 .
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Conferences

The European Water FINANCIAL TIMES Industry Conference

London, Inter · Continental Hotel 24 & 25 April 1995

The sixth conference in the Financial Times Water Industry series will consider the challenges ahead for the industry at a time when many UK and EC companies are seeking opportunities in fresh markets.

Issues to be addressed include:

- **★** The Cost Challenge Of Meeting The Regulatory Framework
- **★** The Future for Scotland's Water Industry
- **★ Portugal's Water Sector Privatisation**
- * Opportunities For Expansion In Overseas Markets: Case Study-Slovenia, Maribor
- **★ Financing Investment Programmes**
- ★ The Long-term Approach to Future Partnerships

Speakers include:

Mr Ian C R Byatt

Director General OFWAT

Ing Antónia M Taveira President, INDAQUA Former Secretary of State for Natural Resources, Portugal

Mr David Kinnersley Author, 'Coming Clean, The Politics of Water and the Environment'

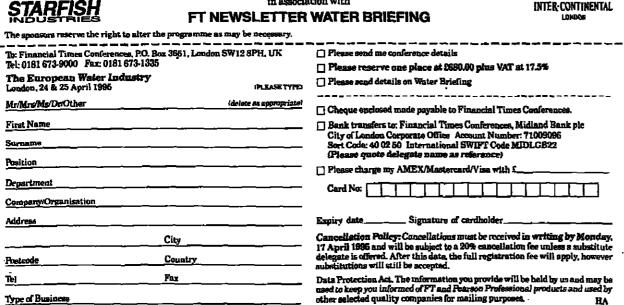
Mr Nicholas Hood CBE Chairman, Wessex Water Plc Chairman, Water Services Association

Dr Johan Bastin Senior Banker Transport and Environmental Infrastructure Department

Mr Tim Yeo MP Former Minister for the Environment and Countryside, UK

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Rating agencies

Near duopoly comes under scrutiny

considerable power, make substantial profits and have built up a high profile and reputa-tion. Yet they are also poorly understood and virtually unac-

countable. A seminar in Paris last Friday, backed by research from KPMG Peat Marwick, the accountancy firm, sought to explore the mysterious world of the agencies and how they are perceived by those relying on their services.

Despite the diplomatic lan-

guage and the concern not to offend anyone, the KPMG report - itself the product of in-depth interviews with senior-level users and executives within the agencies contains some important ssues and areas of concern. One of the most striking

facts about the business is how

concentrated it is. Just two long-established international agencies continue to dominate: Standard & Poor's and Moody's Investors Service, although others such as IBCA have managed to play a role in particular market niches or regions. The market for this near duopoly of players also seems to be highly profitable. According to one study conducted by the US firm Smith Barney, cited by KPMG, Standard &

Poor's made profits of \$120m on revenues of \$280m in 1993. One reason is the tight legal framework that has helped guarantee them business. By 1930, following a series of

required banks to distinguish between investment and speculative grade investments on their balance sheets.

More recently, in 1988 the US Labor Department allowed pension furids to invest in asset-backed securities rated A or above. Such requirements have made the agencies indispensable, quit,e apart from any demand from the market. Today, KPM/IG argues, inves-

tors have become even more heavily influenced by the agencles so that it: is all but impossible for issurers to go the market without the accompanying sment + for which they are usually required to pay. While the business has long existed in the US, it is surpris-

ingly more recent in Europe. France was ahead of most of its mainland neighbours, and after liberalisation of the capital markets in the mid-1980s, ADEF was created in 1986. Moody's opened its Paris office in 1988, and S&P arrived by buying ADEF in 1989. A continuing concern of European issuers as a result is that they feel the methodolo-

gles used by the agencies often reflect their US origins rather than local conditions. KPMG highlights the special factors in France, for example, with the role of bancassurance, the banking law requiring shareholders to take on liability in the event of default, and the influence of the regulators. Another issue is the diver-

confusion for users. Even the basic rating grades vary: Moody's Baal is S&P's BBB+; its Bal the latter's BB+. Equally, the agencies generally refuse to accept the ratings applied by their rivals. In some areas, such as the assessment of mutual funds, they have different evaluation criteria. On the whole, KPMG con-

which can cause considerable

cludes that, in spite of any cultural bias the agencies have generally proved accurate in their ratings, although recent experience with assessments of Mexican and Italian bonds casts some doubt on this. Even so, cultural differences

and tensions can also emerge in other ways. Issuers in Latin countries less happy to receive criticism of a rating or a downgrading they feel is unjustified, whereas northern European countries often welcome such external evaluation measures. Equally, KPMG says that investors tend to react in different ways to ratings, with

averse and rarely showing interest in speculative grade securities, for example. The survey highlighted a number of more day-to-day concerns with the agencies: some issuers felt they had little time to react or respond to what they saw as unjust assessments, and expressed frustration at the uncertainty

of remaining on a "watch" list

for several months.

NEW INTERNATIONAL BOND ISSUES

those in France proving risk-

about confidentiality, given that analysts for the agencies were given access to sensitive internal corporate information, but might then leave. The agencies say they have tight controls to prevent any leaks in such a situation. All of these issues leave *****

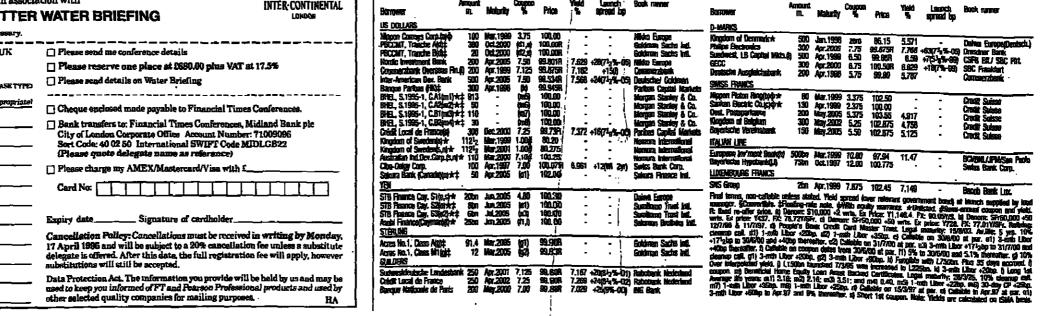
neglected more fundamental concerns about regulation, Surprisingly, it was only Italian users in the survey who felt the need for greater independence and objectivity, by removing the economic link of issuers paying for their own ratings. Yet such structural concerns

about the rating industry were also reflected more generally. A number of issuers argued that agencies - as private. profit-making companies should be subject to some form of control by a third party.
In general, KPMG identified

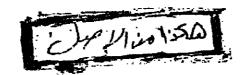
the feeling that there is a need for a code of conduct, covering the requirement for agencies to recognise each other's ratings, to distinguish solicited from unsolicited ratings, to agree the minimum information necessary to carry out a rating, and establishing a minimum delay between awarding a rating and its publication.

One thing is clear. The rating agencies, busily criticising others all the time, deserve a little more scrutiny them-

Andrew Jack







to, a vast overhang of scrip.

According to Mr V.V. Sivaku-nar, research manager at Cros-

by's in Bombay, the primary

market raised more than \$10bn

in 1994 and could see a further

new money coming in.

tions, says Mr Sivakumar.

eign institutional investor (FII)

money entering India. Fils had

invested just over \$3bn

between September 1993 and

February this year, with flows

reaching a monthly peak in January 1994 of \$394m. Partly

because many of the new India

funds had been fully invested

by the end of last year and

partly because of the deterrent

effect of Bombay's ghastly set-

tlements and share transfer

problems, the monthly flow fell in November and December to

These flows are reviving,

with January and February

showing \$48m and almost \$50m

respectively. But few analysts

\$10m and \$15m respectively.

EMERGING MARKETS: This Week

The Emerging Investor / Mark Nicholson in New Delhi

Drifting in the doldrums

It was a poor week for the Bombay stock market, India's biggest with a capitalisation of \$130bn (£79.2bn) and accounting for 70 per cent of the country's total equity volumes.

After the three-day closure caused by the \$5m default of Mr R.S. Jhaveri, a leading broker, the market fell by 24 per cent over Thursday and Friday, pushing the 30-share BSE index towards three-year lows at 3,280.10.

The message the market closure sent foreign institutional investors, whose influence has been a leading determinant of sentiment since they began pil-ing into India over the past 18 months, could scarcely have been worse. Foreign institutions have been astounded by the shutdown, said Mr Ron Gould, managing director of BZW investment management. "It's a most unfortunate

The closure, and the systemic anomalies which prompted it, underlined the distance which the BSE must still travel towards its professed goal of creating an automated, transparent, liquid, institutionalised and wellregulated market out of its present cumbersome and clubbily opaque retail and paper-

The only clear beneficiary of last week's events appears to be the automated National Stock Exchange, a rival to the BSE established five months ago which claims far stricter monitoring and regulation of

Indices rebased in 5 terms

rate of failed trades of just 1.5 per cent, compared with the 20 per cent which, brokers say, is the BSE norm.

But the closure also highlighted the extent to which some of the peculiarities and archaisms of the Bombay exchange are often stronger determinants of market performance than India's economic and corporate fundamentals which, local and foreign analysts agree, have seldom

Mr Manmohan Singh, India's finance minister, painted a particularly buoyant picture in this month's budget: GDP growth of 5.3 per cent this year, 6 per cent expected next; industrial cutput at 8.7 per cent this year and expected to top 10 per cent; and a surge in the capital goods sector which, he said, was growing by 24.7

per cent. On this basis, and propelled settlements. It also claims a by further tariff and tax reforms in this year's budget, even the more cautious Bom-bay analysts are forecasting corporate profit growth for 1995-96 in the range of 15 to 25 per cent. Crosby Securities, the Hong-Kong based group, sees growth in average earnings per share of 45 per cent in 1995 over 1994, and, in tune with some other Bombay estimates, foresees compound growth in eps of 30 per cent across the

Nevertheless, the BSE Sensex Index is trailing 30 per cent below its three-year peak of 4,643 reached last September and analysts mostly agree that the market is set for a bearish drift at present low levels until at least the third quarter.

market over the next two

The reasons are manifold. One is a superabundance of issues on India's primary market, the buoyancy of which is unprecedented - but which has created, and will add

expect these sums to reach in the medium term the levels of early last year. The "Mexico effect" and rising US interest rates had dampened interest well before the default debacle of last week raised foreign

For local and foreign inves-tors there are further constraints on an early market rally. One is the continuing political uncertainty caused by the recent electoral reverses suffered by the ruling Congress party in critical states.

\$12bn raised in 1995. These new issues, the fruit of an unparalleled capital raising spree by Indian businesses, And there is the perennial question of market liquidity. prompted by the government's four-year-old liberalisation pol-Bombay brokers claim this has been hugely impaired by the authorities' decision last year icies, are swabbling up most of the market's liquidity and any to ban the loosely regulated Mutual funds, and the 20 or carry-forward trading system known as badla, which permitso of the 294 registered foreign institutional investors which ted brokers to roll over and are truly active in Rombay. even extend positions without have been shifting into the physical share delivery. The credit which this system pernew issues, which also conmitted was, brokers claim, the lifeblood of the BSE's speculatinue to attract more interest than the secondary market from individual Indian investive activity. Without a re-intors and liquid Indian corporatroduction of carry-forward in some form, Bombay's under-capitalised brokers claim, the There are other depressants. One is the relative fall in formarket cannot heave itself

from its present doldrums. Mr D.R. Mehta, the new chairman of the Securities and Exchange Board of India (Sebi), the market regulator, appointed a committee on his first day in office earlier this month to review liquidity and the badia system - which was hanned for its opacity and openness to price manipulation. Its recommendations are still awaited. But in the light of last week's events, themselves caused partly by market opac ity and apparent price manipulation, Sebi will have to think hard about quite what sort of carry-forward system it could

confidently regulate.

E Czech Republic

The Prague Stock Exchange, looking to bring investors back to the lagging Czech equities market, plans to move to real-time trading early this autumn. The move would change PSE trading to a system where share prices could fluctuate throughout the day instead of being fixed once daily at 11 am, with the PSE matching buy and sell orders

The HN-Wood 30 Index. measuring the PSE's top shares, has lost more than two thirds of its value since peaking in February 1994.

Mexico

Mexico will soon name banks which have sought help from the government's Temporary Capitalisation Programme (Procapte) to help them weather the country's economic crisis.

Mr Javier Gavito, vice resident of the National Banking Commission, said there would probably be an announcement this week. Entry into Procapte would force banks to raise capitalisation ratios to at least 9 per cent through issues of subordinated debt to Procapte convertible in five years into A or B shares of the bank.

Lebanon

World (301)

Argentina (Brazil (21)

Chile (12)

Europe

Mexico (25)

Latin America

Greece (16

Turkey (21)

Europe (55)

Indonesia (26)

Portugal (18)

Latin America

The Beirut Stock Exchange has leased temporary premises for its new trading floor and aims to start trading in June. It has taken one floor of a huxury office tower for a year in the Hamra district of mainly Moslem West Beirut, but officials hope to move later to

Baring Securities emerging markets indices

68.12 146.38

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Correction Notice

8

CREGEM Finance N.V.

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-1.52 -1.45 -0.59 +4.05

-0.75

-1.14 -9.82

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News round-up

permanent premises in a building under renovation in the pre-war financial district of Beirut's ravaged city centre. Lebanon's stock exchange law is also being revised. This is not expected to be completed before the reopening, and trading should resume under the old law.

Bulgaria

A mass privatisation draft amendment announced last week plans to trade Bulgarian privatisation vouchers and other sell-off instruments at a single national stock exchange. "The real value of the companies will be set by trading at a centralised national stock exchange due to be launched at the end of this year," said Mr Roumen Gechev, deputy prime minister. Bulgaria plans to launch a mass privatisation scheme by November.

Zimbabwe

Zimbabwe's stock market is looking attractive, with p/e ratios at their lowest since 1993, but high inflation and interest rates are likely to keep it depressed for the next three months, analysts said. They

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+2.12 -2.30

Month on mon

-5.61

-13.03

-6.95 -8,34

+4.43

+19.72 -4.54

-9.82

-14.12

expect the bourse to get no lift unless President Robert Mugabe's government takes measures to slash public spending and contain inflation. Interest rates of more than 30 per cent have been drawing investors away from the Zimbabwe Stock Exchange to a high-yielding local money market. Annual inflation is currently about 21 per cent.

Pension funds

Pension funds are sleeping giants which have yet to wake up to the virtues of investing in emerging markets, said Mr John F.H. Purcell, director of emerging market research for Salomon Brothers, in São Paulo. "Pension funds are interested in emerging markets; they have been studying them for the past two and a half years," he said. The funds now had between \$2bn and \$5hn invested in emerging markets debt instruments, but the potential for raising the stakes in new countries was enormous, and could reach up to \$100bn.

• Further coverage of emerging markets appears daily on the World Stock Markets page.

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Market focus on central banks

The week ahead will be a critical one for foreign exchanges as central bank meetings in the US, Japan and Germany establish a fresh context for market activity.

The policy-making Federal Open Markets Committee (FOMC) meets tomorrow, as do the general managers of the Bank of Japan, while the Bundesbank council meets on

Thursday. Without a cut in German or Japanese rates, or higher US rates, the dollar is expected to resume its decline against the ven and European currencies.

FT GUIDE TO WORLD CURRENCIES

Trading has been fairly subdued since March 8, when the dollar and most European currencies fell to fresh lows against the D-Mark and yen. But it is difficult to see these meetings passing off without providing fresh impetus to cur-

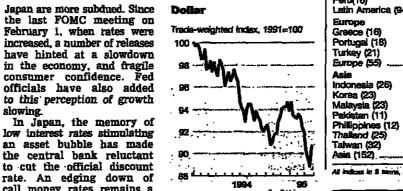
rency markets. Perhaps the most closely watched of these gatherings will be the Bundesbank council meeting on Thursday. Mr Hans Tietmeyer, the president, has been scrupulous in his recent utterances to keep open the option that German rates might fall.

Germany has also enjoyed the benefit of good inflation and money supply numbers since the council last met, albeit tempered by concern about wage inflation. Market perceptions that there may be a cut in rates are thus likely to rise in the next few

Any decision will have to be finely judged. A cut in the official discount or Lombard rates would be a big surprise; less so, a small trimming of the repo rate Expectations of any change

increased, a number of releases have hinted at a slowdown in the economy, and fragile consumer confidence. Fed officials have also added to this perception of growth slowing. In Japan, the memory of

low interest rates stimulating an asset bubble has made the central bank reluctant to cut the official discount rate. An edging down of call money rates remains a in interest rates in the US or



Global connections:

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Japan is now 10" further away. (Flight times are not affected.)

for flights from London and Paris to Tokyo.



(herry as corporate seas in Amsterdam, The Notherlands U.S. \$100,000,000 led in England under the Building Socie Floating Rate Notes due 2003 Issue of up to an appreciate of In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the £200,000,000 Subordinated Variable Rate Notes that the Kate of Interest for the six month period ending 26th May, 1995 has been fixed at 6.0625% per annum. The interest accruing for such six month period will be U.S. \$30.65 per U.S. \$1,000 Bearer Note, and U.S. \$30.64 per U.S. \$10,000 Bearer Note and U.S. \$3.064.93 per U.S. \$100.000 Bearer Note on 26th May, 1995 against presentation of Coupon No. 4. with a maturity of 12 years Notice is hereby given that for the three months interest period from March 23, 1995 to June 23, 1995 (92 days) the Subordinated Notes will carry an interest rate of 7.2375%. The interest payable on June 23, 1995 for the Subordinated Notes will be £182.42. By: The Chase Manhattan Bank, N.A. CHASE London, Principal Paying Agent March 23, 1995

the Leeds

CONTRACTS & TENDERS

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 10(6) OF THE TELECOMMUNICATIONS ACT 1984

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Tanet Limited ("the Licensee") to run telecommunication systems throughout the United Kingdon in the case of Tanet Limited,
The license will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. He proposes to apply the telecommunications code ("the Code") by virtue of section 10(2)(b) of the Act, subject to certain exceptions and conditions, to Tanet Limited to run telecommunication systems in the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the

(a) to comply with the various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for the purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee in connection with the execution of works on land concerning the installation, maintenance, repair or

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as vant electricity suppliers;

(d) to keep and make available records of the location of underground apparatus and copies of the
exceptions and conditions in the licence to its powers under the Code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of

 The reason why the Secretary of State proposes to apply the Code to the Licensee is that it appears to the Secretary of State that:

(a) the running of the telecommunication systems will benefit the public; and (b) it is not practicable for the telecommunication systems to be run without the application of

4. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

5. Representations or objections may be made in respect of the the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 5 May 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.79 Grey, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can be obtained free of charge by writing to the Department or by calling 071-215 1756.

Alan Proud Department of Trade and Industry

1.510

Source: FT Graphite

Investors bank on a slowing economy

Although the Federal Reserve's Open Market Committee is to meet tomorrow, the betting of late is not on whether the central bank will raise rates, but on where the economy is going.

Few Wall Street economists believe the Fed will tighten monetary policy and the market seems to have written off such an eventuality as it reached new highs nearly every day last week. capped by a more than 50-point gain in the Dow Jones Industrial Average on Friday.

Investors will certainly be watching for any commentary issued by the Fed, but economic data should be just as important.

Housing figures due out today and Wednesday should not upset the market if they come in near expectations. Today will see the release of February existing home sales, and analysts at Smith Barney estimate that sales were down 2 per cent last month

Dow Jones Industrial Average 4100 4020 4080 4070 .17 March 1995 Source: FT Graphite

Lisa Bransten

on top of January's drop of 4.5 per cent. Figures on February new home sales will be released on Wednesday and those numbers are also expected to support the belief that the economy is slowing. The median estimate has the figure slipping 4.3 per cent to 650,000 new homes built last month.

Another piece of data that could drive equities higher is due on Friday. If February factory orders have indeed fallen by 0.4 per cent, as the median estimates suggest, then this week could end with stocks on an untick just like

Analysts still cautious on

domestic side

In an uncertain investment world, one beacon continues to shine forth: dividend growth among UK companies is exceeding even the most optimistic forecasts.

This lies behind all the "valuation" arguments for buying equities which have fuelled the recent rally in share prices. Forecasts of a further 10 per cent growth in dividends this year are almost commonplace among analysts.

But there is still caution on the consumer side. Charterhouse Tilney argues that government is unlikely to risk "anything significant" in the form of tax cuts. And, although the house does not anticipate another base rate cut this year, such a possibility merely underlines the split between domestic

and export-orientated companies. The stress is on the manufacturing and construction sectors, which benefit from the economic recovery and the dip in sterling. Many of the builders are

FT-SE-A All-Share index 1,530 1,520

thrice-blessed by their involvement with the German economy and the D-Mark, although the sudden tail-spin in Frankfurt last Thursday when the dollar/D-Mark problems resurfaced might act as a warning light.

March 1995

This week's company statements should therefore give the market plenty of evidence on whether it is on the right track. Blue Circle. Redland and Inchcape are all likely to bear out market optimism. But traders will look closely at boardroom comments from UK consumer-orientated stocks like Iceland and Next.

OTHER MARKETS

ZURICH

After last week's unexpected. but nonetheless welcome news of Sandoz's restructuring to split off its chemicals division. the stock market will be paying more than usual interest to any hint that Ciba may be planning to take the same path, when it unveils 1994 results tomorrow.

The strength of the Swiss franc against European currencies and the dollar point to flat results. Of more interest would be any suggestion of a disposal, perhaps in its industrial division.

Swissair is expected to report sharply lower 1994 results on Friday, due to lower than expected book profits from aircraft disposals and the adverse impact on non-core operations, like hotels, catering and duty free sales, of currency

movements in Europe. The share has been supported by news of its negotiations to buy a 49 per cent stake in Sabena, the Belgian carrier but, says Mr Frederick Hasslauer at Bank Sal Oppenheim, the price. rumoured at SFr200m to

SFr300m will be crucial. For Swissair, the deal would provide EU status and a second traffic "hub" in Brussels.

PARIS

A new account begins today, awaiting tomorrow's 1994 results from Renault, the symbol of French national pride, writes Jeffrey Brown. Otherwise it looks to be business as usual for traders, who will continue to track nervously the currency markets and German equities.

The new account is the final settlement period before the first round of the presidential elections on April 23, and the last chance for position-taking ahead of the election outcome. Mr Jacques Chirac might be the clear favourite in the polls but French presidential races are almost a by-word for spectacular upsets. Some observers have not written-off

a pre-election rally. In contrast, the Renault numbers are probably easier to predict, with company indications at the time of last year's privatisation issue suggesting an after tax profit of between FFr2.5bn and FFr3bn for 1994. Most brokers estimates come in around FFr2.8bn, against the FFr1.07bn that Renault achieved in 1993. What the stock market will want to see, however, is the motor giant's statement on trading so far in

the current year.

FRANKFURT

A busy week is in prospect, the banking, chemicals and motor sectors. Merrill Lynch expects the banks' fair)v depressing 10-month trends to hold for the full 1994 figures, although this year should be better with the impact of falling provisions coming through to the bottom line.

Merrill says that relative to the local market, the sector is still at a high yield and not far from a price low. It thinks that this will underpin the banks in 1995, although in relative terms, they will remain shares for bears, outperforming down markets but underperforming upward movements.

Deutsche Bank reports on Wednesday, Commerzbank on Thursday and Dresdner on Friday. Among chemicals and motors Hoechst reports tomorrow, BASF and VW on Wednesday, and BMW on

COPENHAGEN

Mr Sven Caspersen, chairman of the Copenhagen Stock Exchange (CSE), is leading a delegation of key Danish financial figures on a roadshow, writes William Cochrane. The delegation will

in Frankfurt on Wednesday

with full-year figures due from

host seminars on the TOKYO Copenhagen financial markets

and in London on Thursday.

of planning reforms, wants

northern hub of financial

markets in Europe. The

seminar will address: the

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HONG KONG

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CSE itself: banking; industry:

The CSE, itself in the throes

Trading for March settlements ends today and the wave of profit taking by companies and institutional investors looking to prop up their annual earnings is likely to ease.

writes Emiko Terazono. This does not mean that investors will immediately rush to buy shares since overseas fund managers are likely to continue to take advantage of the foreign exchange gains on their holdings. However, there is a case for a technical rebound of stocks heavily sold on year-end profit-taking.

Such moves were already evident last week, as the brokers, which have been heavily sold off during the past few weeks, were bought on short covering, with the sector rising 2 per cent Friday.

Sectors heavily hit over the past week include steels, down 9.6 per cent, which are widely held by banks and corporate investors. Analysts have noted a recovery in steel demand and widening profit margins over the past few months. indicating that the decline is largely due to seasonal selling rather than the sector's earnings performance.

Compiled by Michael Morgan

Morgan Guaranty Trust Company of New York Avenue des Arts 35 B-1040 Brussels

Argus Fundamentals

Understand what is driving oil prices

Dated: 27th March, 1995

as of March 31, 1995.

Global share offerings

Difficult markets blamed for IPO withdrawals

Last week's tumble in Europe's stock markets took its toll on primary equity activity, with two large IPOs pulled and several others facing an uphill struggle.

The sale by Sweden's Electrolux of its aluminium and metalworking subsidiary Gränges and an IPO for German pharmaceuticals company Schwarz Pharma were withdrawn on Friday, with both vendors citing difficult market conditions.

"As a consequence of deteriorating stock market conditions, the terms for implementing the share offering have not been sarisfied." Electrolux said. Sweden's Affaersvaerlden stock index fell from 1,473.1 on Monday to 1,446.4 Thursday, though it recovered on Friday to 1.461.4.

'We saw good interest in the transaction, but at a level below the indicted price range," said a syndicate official at Goldman Sachs, joint global co-ordinator together with Enskilda. Electrolux had hoped to sell 28m Gränges shares at between SKr105 and SKr117 a share.

According to Electrolux president Mr Leif Johansson: "Grānges is a very good company with good future prospects and we want to obtain the full value that we consider the company to be worth." He said Electrolux would therefore keep Gränges as a portfolio investment, but added that he would not rule out the company coming back to the market "when the weather is better"

In Germany, Schwarz Pharma shelved the share issue it had planned for late March - expected to raise about DM250m - because of the "difficult situation on the German share market", lead

manager Deutsche Bank said. The decision followed Thursday's 2.4 per cent fall in the German 30-share DAX index to its lowest level since October 1993. On Friday, the DAX fell another 10.65 points to 1,925.42. Shares have been hit by fears of poorer earnings prospects for exporters as a result of the strong D-Mark. Deptsche Bank said Schwarz

Notice of Early Redemption

BRITANNIA BUILDING SOCIETY

tthe Society

£150,000,000 Floating Rate Notes Due 1996

NOTICE IS HEREBY GIVEN that in accordance with Condition See of the

Notes, the Society will redeem all outstanding Notes at their principal amount on the next interest payment date. 26th April, 1995 when interest on the Notes

Payment of principal and interest will be made against surrender of the Notes

and Coupons at the offices of any of the Paying Agents Isrsed below. Each Note should be presented for payment together with all unmatured Coupons opportaining thereto. Such unmatured Coupons (whether or not attached thereto) shall become void and no payment shall be made in respect thereof.

Notes and matured Coupons will become void unless presented for payment within a period of 12 and 6 years respectively from their respective relevant dates, as defined in Condition 6 of the Notes.

Principal Paying Agent Hambros Bank Limited 41 Tower Hill London EC3N 4HA

Other Paying Agents

NOTICE TO HOLDERS OF

THERMO INSTRUMENT SYSTEMS INC.

6%% CONVERTIBLE SUBORDINATED

DEBENTURES DUE 2001

NOTICE IS HEREBY GIVEN by Thermo Instrument Systems Inc. ('the Corporation'), pursuant to Section 7(a)(vi) of the Fiscal Agency Agreement dated as of August 2, 1991 among the Corporation, Thermo Electron Corporation and Chemical Bank, as Fiscal Agent, that, effective

as of April 3, 1995, the conversion price of the Corporation's 84/86

23 of April 2, 1895, the conversion price of the Corporation 3 of the Corporation 3 of the State of the State of the State of the State of the Corporation's Common Stock, \$.10 par value per share, to be paid in the form of a 50% stock dividend on April 14, 1995 to shareholders of record

M. CHEMICAL

Fiscal Agent

Krechetbank S.A. Luxem

Issued by HAMBROS BANK LIMITED

as Principal Paying Agent, a member of the SFA

Petroleum Argus

Pharma would launch the issue when the stock market had stabilised and was able to absorb new supply.

The issue will be one of Germany's biggest initial public offerings this year. The largest will be SKW Trostberg, a specialty chemicals company controlled by Viag, which is expected to raise around DM1bn

The sharp fall in the German share market had some dealers wondering whether the IPO for SGL Carbon, a subsidiary of Hoechst chemicals which started roadshowing its international share sale last week, would go ahead. However, Mr Markus Launer, SGL spokesman, said: "We see no reason to pull the issue."

SGL Carbon's offering is expected to raise at least DM400m. About 20 per cent of the shares are targeted at US investors. Dresdner Bank and Kleinwort Benson are joint global co-ordinators. The indicated price range for the shares has been set at DM55 -DM66: excluding a 15 per cent over-allotment option, between 7.2m and 9.1m shares are to be issued, with bookbuilding last-

ing until April 3. Market doldrums are also overhanging the forthcoming sale of shares in Böhler-Uddeholm, the Austrian specialty steel manufacturer. The offering will comprise 5.25m shares belonging to the Austrian state holding company OIAG and 3m of new shares.

Many expect the shares to be priced at the low end of its Sch650 to Sch750 indicated range, reflecting investors' continued price-sensitivity. The shares will be sold in three equal tranches - in Austria by Creditanstalt, the EU by S.G. Warburg and the rest of the world by CS First Boston.

Benefiting from its less cyclical nature. AB Lindex, the Swedish clothes retailer, managed to place 8.1m shares last week despite the stock market troubles.

Although dealers said it had not been an easy sale in the choppy market conditions, a syndicate official at Warburg joint global co-ordinator together with Handelsbanken - said the shares were well

subscribed by high-quality investors. They were priced at SKr104 a share, the lower and of the indicated SKr102 to SKr112 range. Late on Friday they were trading at SKr107.5 a share, helped by a late rebound in the stock market.

Still, market conditions do not augur particularly well for primary activity, and participants are bracing themselves for another difficult week.

"Until early [last] week. there was still a hope that a cut in German interest rates would take the pressure off cross rates in Europe," said Mr Mike Young, director of European investment strategy at Mertill Lynch. "Now the penny. has dropped that this is unlikely to happen, people are taking a serious look at the earnings implications for European industry of continued D-Mark strength."

The latest pull-back has brought many European markets back into a valuation range where they look "more attractive than they have for some time", he says, However, many investors remain sidelined, burnt by losses on previous purchases and hoping that shares will get even cheaper.

In Russia, meanwhile, Kleinwort Benson is advising gas giant Gazprom on the sale of up to 9 per cent of its shares to international gas and oil companies, rather than an offering to institutional investors.

We are actively negotiating with several large oil and gas companies," said Mr Philip Lambert, director of oil and gas corporate finance at KB. He stressed, however, that this does not preclude an institutional offering in the future.

Russia's Komitec, which owns the oil company Komineft, is planning to issue a convertible bond via Swiss Bank Corporation some time in mid-1995. Accountant Deloitte & Touche CIS is preparing audited accounts conforming to US accounting procedures.

Lukoil, the publicly traded Russian oil conglomerate, is also expected to issue a convertible bond in the coming

Conner Middelmann

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COMPAGNIE BANCAIRE

Incorporated in France with limited Hability. Regd. Office: 5 avenue Kleber, Paris 16ème NOTICE TO SHAREHOLDERS

The following Resolutions were passed at the Ordinary General Meeting on 22nd March, 1995:-

A dividend of Frs. 10.00 per share of Frs. 100 nominal for the year ended 31st December, 1994 was declared payable from 30th March, 1995.

 Each shareholder should be given the choice to be paid their dividends in shares. The options will be open to shareholders between 30th March and 21st April inclusive. Following the shareholders meeting, the price of the new shares have been established at Frs. 440. If the option is not taken up by 21st April, the dividends will be option is not laten up by 21st April, the dividends will be paid in cash on 11th May. However, shareholders will have the opportunity to have their dividends paid in cash as from 30th March, by irrevocably declining to take up their share payment option.

Residents of the United Kingdom will receive Frs. 7.50 per share of Frs. 100 nominal

Settlements of Additional Payments:-

Under the terms of the Double Tax Convention between France and the United Kingdom, residents of the United kingdom will receive, subject to the completion of Form RF4-GB, on or after 30th March, 1995 an additional Frs. 5.25 per share thus increasing their dividend to Frs. 12.75 per share.

Holders may, however, submit Form RF4-GB at anytime up to 31st December, 1996. Payments will be subject to deduction of United Kingdom

income Tax at a rate of 20% Claims should be lodged with:-S.G.WARBURG & CO. LTD.

Paying Agency. 2 Finsbury Avenue London EC2M 2PA

Ranque Paribas, 68 Lombard Street, London EC3V 9EH

Crédit Lyonnais, 84/94 Queen Victoria Street, London EC4P 4LX Société Générale.

60 Gracechurch Street, London EC3V 0HD from whom claim forms and further information can be

Copies of the Annual Report and Accounts will be available in French and in English on application to S.G. Warburg & Co. Ltd.

NOTICE TO HOLDERS OF THERMO INSTRUMENT SYSTEMS INC. 31/1% SENIOR CONVERTIBLE **DEBENTURES DUE 2000**

NOTICE IS HEREBY GIVEN by Thermo Instrument Systems Inc. ("the Corporation"), pursuant to Section 7(a)(vi) of the Fiscal Agency Agreement dated as of September 15, 1993 among the Corporation, Thermo Electron Corporation and Chemical Bank, as Fiscal Agent, that, effective as of April 3, 1995, the conversion price of the Corporation's 3"/% Senior Convertible Debentures due 2000 will be adjusted from \$31.75 to \$21.17. This adjustment reflects a three-for-two split of the Corporation's Common Stock, \$.10 par value per share, to be paid in the form of a 50% stock dividend on April 14, 1995 to shareholders of record as of March 31, 1995.

M. CHEMICAL

Fiscal Agent

To receive the first month FREE CALL 0171 638 1500

£40,000,000

Newport Borough Council 8% per cent. Loan Stock due 2019

Notice is given of the issue by Newport Borough Council (the "Council") in connection with the issue by it of £40,000,000 nominal amount of 8% per cent, Loan Stock due 2019 (the "Stock"). Provision is made in the trust deed constituting the Stock to enable the Council to issue further loan stock either so as to be identical in all respects with and form a single series with the Stock or on such terms as the Council may determine, subject to compliance with applicable law and the borrowing limits from time to time of

Application has been made for the Stock to be admitted to the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. In connection with such listing, the Council has published an Offering Circular (the "Offering Circular") dated 27th March, 1995.

The Council is a Welsh non-metropolitan district council established under the Local Government Act 1972. Copies of the Offering Circular may be obtained during normal business hours at the offices specified below for a period of at least

14 days (C.A.O. 2 days) commencing on 27th March, 1995. Principal Office of the Council Company Announcements Office The London Stock Exchange Newport Borough Council Bartholomew Lane London EC2N 1HP Newport Gwent NP9 4UR

Listing Sponsor UBS Limited 100 Liverpool Street London EC2M 2RH Registrar's Departmen 67 Lombard Street London EC3P 3DL

27th March, 1995

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Fixed/Inverse Floating Rate

Notes Due 1995

Notice is hereby given that for the next Interest Period from 27th March, 1995 to 26th September, 1995 the Notes will beet Interest at a rate of 11.9375%

Interest payable on 26th Sep

tember, 1995 will amount to Yen 606,823 per Yen 80,000,000 Note.

The Mitsubishi Bank, Limited

London Brunch

As Agent Bank

CITY INDEX

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ne, 78 Float Street, Lendon EC1Y 1HY Tel: +44 (0) 71 842 4083

& Leicester Building So £200,000,000 Floating Rate Notes due 1998

For the Interest Period 23rd March, 1995 to 23rd June, 1995, the Notes will carry a Rare of interest of 6.75% per annum ints of £170.14 per £10,000 and £1,701.37 per £100,000 Note, payable on 23rd Lored in the Livenbrum Stick Eachang.

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TAX 1995

C150,000,000 GUARANTÉED FLOATING RATE NOTES DUE DECEMBER 1997 Citicorp Finance PLC CITICORPO

Notice is hereby given that the Rate of Interest has been fixed at 6.7875% and that the interest payable on the relevant Interest Payment Date June 23, 1995 against Coupon No. 38 in respect of £10,000 nominal of the Notes will be £171.08. March 27, 1995, Landon By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

quotes on over 90,000 issues As low as \$9/day, Call today: 44 + (0) 171 600 6101

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LAURIE Teb 071 493 705

JAPAN AIR LINES COMPANY, LTD. (Kippen Keks Kabushiki Kaisha) (the "Company") U.S. \$42,150,800 10 7/8 per cent.

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate amount of \$4,600,000 have been drawn for redemption on April 28, 1995 (the "Redemption Date") for the account of the Sinking Fund at a redemption price (the "Redemption Price") of 100% of the principal amount thereof.

SERVAL REPORTERS OF BEARER BOOKS CALLED FOR REDEMPTION

The Bank of Tokyo, Ltd. in Paris The Industrial Bank of Japan, Ltd. in London The Bank of Tokyo, Ltd. in Brussels
The Industrial Bank of Japan (Luxembourg) S.A. in Luxembourg
Bank of Tokyo (Switzerland), Ltd. in Zurich Industriebank von Japan (Deutschland) A.G. in Frankfurt/Main On and after the Redemption Date, interest on the Bonds to be redeemed for this In any arter use recomposite to recomposite in the rest payable on April 28, 1995 and be detached and presented for payment in the usual manner.

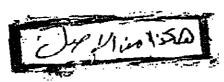
as Fiscal Agent

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Payment of the Redemption Price will be made upon presentation and surrender of the Bonds called for redemption, together with all coupons appertaining thereto maturing after April 28, 1995, at the principal office in the city indicated of any of the following Paying Agents:

JAPAN AIRLINES COMPANY, LTD. By: The Bank of Tokyo Trust Company

Dated: March 27, 1995



drawals,

"Quiet please, performance in progress?" "A multinational client of ours needed local currency funding in China," says Shirley Ho, Corporate Banking, UBS. "Often the simplest solution is the best. But obtaining Chinese Renminbi at short notice is not always easy. We located a Chinese company in need of U.S. dollars and quickly secured local funding for our client so they could continue growing their business in China."



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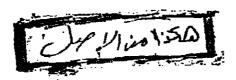
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FINANCIAL TIMES MONDAY MARCH 27 1995 *		29
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under the Health and Safety at Work stc. Act 1974.

The successful service provider will be responsible for sampling and on-site measurement within the workplace environment and for associated analytical and related lechnical activities. These activities will be carried out on a reactive basis and as part of HSE's planned programmes. They may involve enforcement support including court appearance.

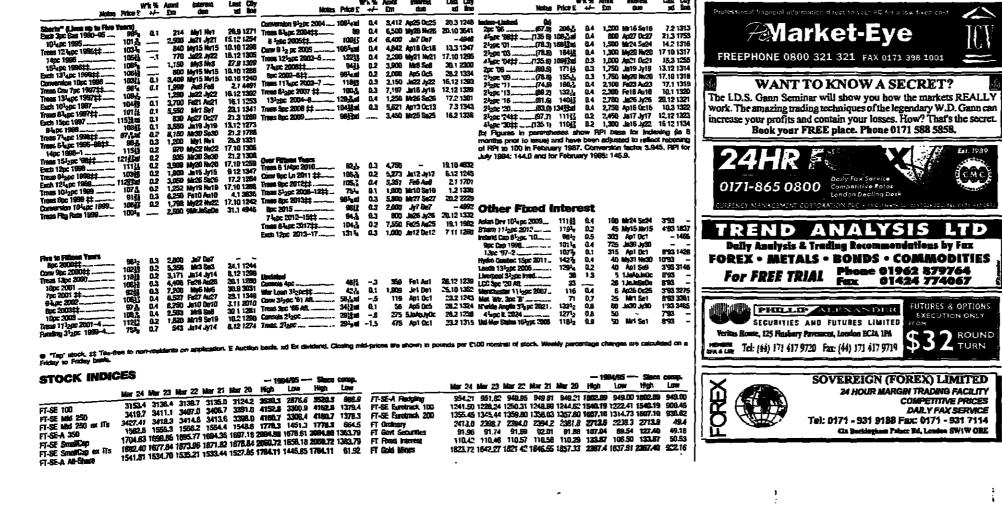
Interested organisations will be sent a brief description of requirements and a supplier appraisal questionnaire which seeks a range of commercial and financial information.

A shortlisting process will be conducted, after which the selected suppliers will be sent a full invitation to Tender. It is anticipated that a three year contract with an option for a further two years will subsequently be awarded, although HSE reserves the right not to award any contract.

Organisations should express their interest in writing and preferably by fax to:

Mrs C Young, Health and Safety Executive 104 Daniel House, Trinity Road, Bootle, Merseyside L20 7HE Fax number: 0151-951 3938

This requirement is also being announced in the Supplement to the Official Journal of the European Communities and a similar advertisement was dispatched to Luxembourg on 7th March 1995.

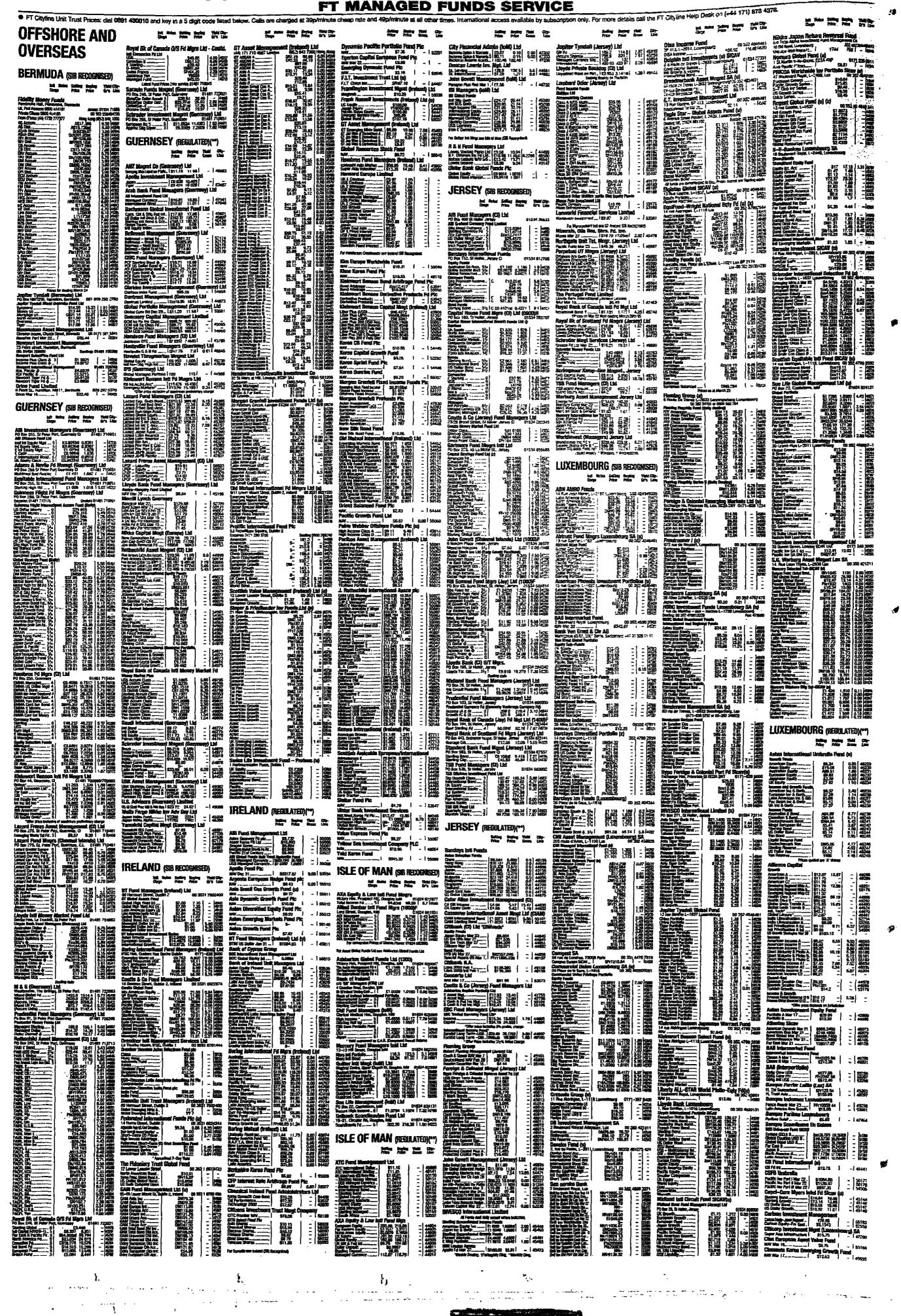


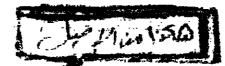
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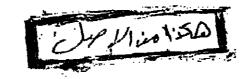
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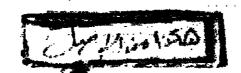






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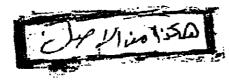
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Financial Times. World Business Newspaper.

EU social affairs council



European Union social affairs ministers consider terms and conditions for workers posted to another member state. A directive, first mooted in 1991, was designed to set common

standards, but ministers are split between those who want the rules of the host country to apply from the first day of work and those who want a grace-period.

US and Japan discuss cars

The US is demanding deregulation of the market for replacement parts and insisting that Japanese dealers agree to sell more foreign cars as the two sides meet in Tokyo.

Clinton receives Bolger

New Zealand's prime minister Jim Bolger is due to call on President Clinton at the White House, the first meeting between a NZ premier and a US president for 11 years and seen as marking the end of the row over US nuclear vessels being banned from visiting New Zealand ports.

Animai journeys deal unlikely

European Union agriculture ministers meeting in Brussels try again to end deadlock over the transport of live animals. France, which holds the EU presidency, has left on the table compromise proposals it put forward in February, setting limits on journeys depending on the type and age of animal. They were not enough to win over Britain and Germany. Several southern states remain opposed to limits on journey time.

Havel on far east trip

Vaclay Havel, president of the Czech Republic, officially begins his first visit to Australia, accompanied by finance minister, Ivan Kocarnik, as well as trade, banking and business representatives.

lliescu visits Albanja

President Ion Iliescu of Romania, on a two-day visit to Albania, the first by a Romanian head of state since the collapse of communism, is due to sign economic and cultural accords.

EU official visits Geneva

Jürgen Trumpf, who as secretary general of the European Council is the top civil servant in Brussels, visits Geneva for talks with Sadako Ogata, United Nations high commissioner for refugees, and Ayala Lasso, UN commissioner for human rights.

Academy Awards ceremony



Hollywood's finest gather for presentation of the gold statuettes. A few perplexed British faces will be among the tuxedos: Alan Bennett and Nigel Hawthorne contending for

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Oscars for The Madness of King George, and screenwriter Richard Curtis for Four Weddings and a Funeral.



Trying to cut down a little: the political will seems lacking to produce an agreement to cut greenhouse gases further at this week's climate conference in Berlin

But this may be the US's year, with Forrest Gump sweeping through the top awards and only Jessica Lange (best actress favourite) surviving the Forrest

Holidays Burma (Armed Forces Day).

TUESDAY

Hot air on global warming



strong reservations.

against Iraq.

Up to 5,000 delegates, observers and journalists from more than 100 countries assemble in Berlin for the biggest environmental conference since the 1992 earth summit in Rio (to April 7). The subject is

climate change. Hopes for an extension of the Rio commitment to cut emissions of carbon dioxide, the most common of the

"greenhouse gases" to 1990 levels by the year 2000, may prove forlorn. Signs are that resistance to further action from the Opec states and some developing countries will prove hard to overcome. Even some OECD states, such as the US, Canada and Australia, have

Kozyrev starts Mideast trip

Andrei Kozyrev, Russia's foreign minister, visits the Middle East. Russia's increasing assertiveness in the region's politics is causing increasing tensions with the US. Against the wishes of the Clinton administration, Russia is still determined to sell nuclear technology to Iran and favours a lifting of UN economic sancti

28

Negotiators on financial services meet at says other countries must improve their to all-comers.

WTO financial services

Japanese mission to N Korea

Japan's ruling coalition parties send a team to North Korea to pave the way for talks on normalising diplomatic relations following Pyongyang's agreement to end its nuclear weapons programme.

Fed policy-makers meet With abundant signs of a cooling

economy, analysis predict that the US Federal Open Market Committee will not raise interest rates.

FT Survey Poland.

WEDNESDAY



Finland's narliament sees the first gathering of the country's 200 MPs since the Social Democrats won the general election 10 days

ago. It gives President Martti Ahtisaari the chance to invite Paavo Lipponen, the coalition government - but only if

informal talks with potential partners have progressed sufficiently well. The

Social Democrats are expected to team up

People's Party rather than defeated prime

The European People's Party, the leading

with the Conservatives and the Swedish

minister Esko Aho's Centre party.

EPP holds conference

the World Trade Organisation in Geneva to review progress towards a liberalisation deal ahead of the June 30 deadline. The US market-opening offers before it will agree to open the full range of financial services

> Christian Democrat umbrella in Europe. hosts a conference in Brussels which should move it nearer to a pan-European

party dedicated to closer political and economic integration.

WTO body seeks disputes

The World Trade Organisation's disputes body, which meets in Geneva, may have to wait for its first case. Malaysia last week said it was lifting barriers to petrochemicals imports from Singapore, which planned to ask today for a disputes panel to rule on its complaint.

FT Survey Danish Banking and Finance.

Holidays

Central African Republic, Madagascar, Taiwan (Youth Day).

THURSDAY **30**

Santer receives Maltese PM Jacques Santer, president of the European

Commission, meets Malta's prime minister Eddie Fenech-Adami. Malta is pressing for early admission to the European Union, and the meeting is expected to cover the

Perry to visit CIS members

William Perry, US defence secretary, starts a tour of Commonwealth of Independent States members Ukraine, Russia, Kazakhstan and Uzbekistan, to discuss military relations and defence conversion.

Specter to run for president

Senator Arlen Specter, the Pennsylvania Republican known for his tough prosecutorial style at Congressional nearings, will announce his candidacy for the 1996 Republican presidential nomination, running as a moderate.

Bundesbank council meets The policy-making body of the German central bank holds its fortnightly meeting against a background of nervous financial markets and the Fed meeting on Tuesday. No interest rate changes are expected this time - though a rise is likely later in the year. The strong D-Mark has even raised hopes that rates could be trimmed.

Oil pipeline to Greece

Greece's foreign minister, Carolos Papoulias, starts a two-day visit to Bulgaria, Talks will focus on a plan to build a \$600m oil pipeline to take Russian oil from Bulgaria's Black Sea port of Varna to the Greek port of . Alexandroupolis in the northern Aegean, by-passing the congested Bosporus shipping route.

Strike threat in France

French railway and metro unions are threatening a strike in support of pay claims, part of a flurry of industrial disputes which have affected Renault, the car manufacturer, and Air Inter, the domestic airline. Unions are taking advantage of the run-up to the presidential election to press for higher wages.

FRIDAY 31

Japanese deregulation plan

A keenly awaited five-year economic deregulation programme is due to be announced, in an attempt to stimulate competition, reduce business costs and encourage imports. The first draft has disappointed Japanese business lobbies, the US and the European Union. A weak final plan may arouse fears that Japan's trade surplus will be slow to shrink, so putting more upward pressure on the yen.

UN mandate in Croatia ends



The mandate for United Nations peace-keeping troops in Croatia expires at midnight. However, Croatia's President Franjo Tudjman has agreed they can stay, averting renewed hostilities.

Clinton marks Halti puil-out

US President Bill Clinton visits Haiti for a ceremony marking the withdrawal of US troops and their replacement by a US-led multinational peacekeeping force.

Statement on India's trade

P Chidambaram, India's commerce minister and strong advocate of the government's liberalising economic reforms, makes the annual announcement of amendments to the country's trade policies. Industrialists say they expect Mr Chidambaram to offer a "burst" of further reforms, streamlining import and export procedures and possibly removing additional licences in some sectors.

Cricket

The West Indies and Australia start their first test match in Bridgetown, Barbados (to April 2).

FT Survey Tokyo Capital Markets.

Holidays Indonesia.

SATURDAY



The Marriage Act comes into effect in England and Wales, allowing weddings to be held in premises other than churches and register offices. In Scotland the authority to conduct a marriage ceremony is vested solely in the person conducting the ceremony, with no part played by the building in which it takes place.

Young blades on the Thames The 141st University Boat Race between Oxford and Cambridge is held from Putney to Mortlake on the River Thames in London.

SUNDAY

Major embarks on US trip UK prime minister John Major visits the US. The Northern Ireland peace talks are expected to top the agenda for his discussions with President Clinton.

Daylight saving time starts The US and Canada put clocks forward

Compiled by Patrick Stiles. Fax: (+44) (0)171 873 3194

Statistics to be released this week

Other economic news Monday: US existing home

sales fell sharply in January, with the latest Beige Book report suggesting a further drop last month before recovery in the spring. Italian fac-tory gate inflation is forecast to have risen in January.

Tuesday: US consumer confidence is expected to show a deterioration for March as the Federal Open Markets Committee meets to discuss a possible rise in interest rates. Wednesday: US new home

sales are predicted to have

dropped in February despite reports of a pick-up in activity from some housebuilders. The Italian unemployment rate is believed to have dropped below 12 per cent in January. Thursday: Little change is expected in the number of new claimants for unemployment benefit in the US in the week

ending March 25. Japanese industrial production should have rebounded last month after the big fall caused in January by the Kobe earthquake

restoring the upward trend of the past year. Friday: The final estimate of US gross domestic product in the fourth quarter may be revised downwards slightly because of weak December retail sales tigures.

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Feb existing home sales	-	3.59m		us	Feb factory inventiones		1%
March 2	7 Japan	Jan overall pera consump expend**	-1.7%	-3.1%		US	Feb export price indx		0.9%
	Japan	Ditto, workers**	•	-4.4%		ŲS	Feb import price indx	-	0.2%
	Japan	Jan income, workers**	-	-4.7%		Japan	Feb unemployment rate	2.9%	2.9%
Tues	US	Mar consumer confidence	97.0	99.0		Japan	Feb job ollers/seekers ratio	0.65	0.66
March 2	8 US	Johnson Redbook w/e Mar 25	-	0.6%		Japan	Feb consumer price indx, nation**	0.2%	0.6%
	Italy	Jan indust production	7.2%	6.1%		Japan	Oitto, ex-penshables**	0.3%	0.3%
	Spain	Jan indust production**	7.2%	7.7%		Japan	Feb construction orders**		-16.7%
Wed	US	Feb new home sales	650.000	679,000		Japan	Feb housing starts**	0.8%	-5.6%
March 2	9 Japan	Feb retali sales™	-2.4%	-2.7%		Japan	Feb construction starts**	-	-6.9%
	Japan	Mar wh'sale price indx, 2nd 10 days	-	-0.3%		France	Feb unemployment rate	12.3%	12.3%
	Italy	Jan unemployment rate	11.9%	12.1%					
Thur	US	Initial claims w/e Mar 25	340,000	364,000	During t	he week			
March 3	0 US	Stale benefits w/e Mar 18	-	2.55m		Germany	Mar brelim cost of living"	0.2%	0.4%
	US	Mar agriculture prices		0.0%		Settember:	Mar preim cost el living"	2.49à	2.4%
	Japan	Feb indust production:	1.795	-1.5%		German;	Jan indust production*	0.1%	2%
	Japan	Feb shipments†	-	-2.8%		Germany	Jan minufacturing output*	0.2%	1.7%
	Acs'ha	Feb current a/c	-A\$2.35n	-AS2.285n		Deproduit,	Feb Icon consumer clamate	-	89
Fn	υs	4th qtr gross dom prod final	4.6%	4.6%		Germany	Fet import prices'	0.1%	0.5%
March 3	1 US	4th ctr gross dom prod deflater final	1.3%	1.3%		Germany	Feb import prices**	2%	2.2%
	US	4th qtr after tax corp profit	3%	2.5%		Italy	Mar official consumer price indix*		0.8%
	US	Mar Chicago Ass purch managers;	-	62.7%		Italy	Mar official consumer price indx**	•	4.3%
	US	Mar Michigan sentimental final	-	91.6		Raly	Feb 142-3month average**	3.2%	1.2%
	US	Feb factory orders	0.4%	0.6%		gaj.	Feb balance of payments	-L2 5Tr	-L3.67r

ACROSS 1 Taken aback if and when company is a complete disaster (6)

man poet playing Little in musical (8) 10 Children going well (9)

11 Store, we hear, for the multi-

16 Hurry to see grown-up chicken crossing a street (6) 19 Outstanding oid (6)

21 Young woman posing as model (7)

23 Government statement not used by the Financial Times? 25 Tin-opener, small and dainty

27 Plays doctor, joining American Medical Association (5) 28 Famous person in expedition outside Boar's Head (9)

29 Uses translation to hold writ-

ers in tense uncertainty (8) 30 Execute live leader (6)

DOWN
1 Father, having to be disapproving (8) A receiver, receiving com-

plaint, reveals wealth (9) Louse clock or carbon copy (4) Agony of island in part of Scotland seen by Highland cader (7)

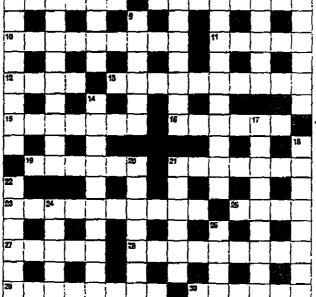
12 Lack of American intelligence (4)
13 Publication of Hard Times? (6.4)
15 Puzzle no longer translated? (6.4)
16 Release a part? That's not generous (10)
17 Slow movement of ringleader in gaolbreak (5)
18 Puzzle no longer translated? (7)
18 Release a part? That's not generous (10)
18 Slow movement of ringleader in gaolbreak (5)
18 Vessel with wood lining for

Organs essential for Italian in European uprising (6)
14 Making everyone repeat, repeat initial sounds (10) 17 Former reels with dances (9)

18 Sportsman seen to be favour-ite (4-4) 20 Currency is provided by saint 21 Work under river, not on the

22 In supermarkets we desire vegetables (6) 24 Mostler is going out to see Muslim leaders (5) 26 Skilful introduction of head of brewery to beer (4)

surface (6)



MONDAY PRIZE CROSSWORD No.8.721 Set by VIXEN

A prize of a Peiskon New Classic 390 lountain pen for the first correct solution opened and free runner up prizes of £35 Pelikan vouchers will be accorded. Schuttons by Thursday April 6, marked Monday Crossword 8,721 on the covering, to the Financial Times, I Southwark Bridge, London SE1 9111. Solution on Monday April 10, Please allow 21 days for delivery of

Address

Winners 8,709

Eleanor West, London SW13

Mrs E. Bousfield, Tichborne, Hants E.W. Micailef, Balzan, Malta D. Munro, Harrogate Mrs H. Tyler, Stortford, Herts

A E V L R L Reared Penchan W.F. Wells, Bottisham, Cambs CAS

Solution 8,709

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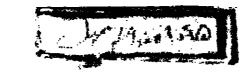
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